

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 MARCH 31, 1997

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

COMMISSION FILE NUMBER: 0-25464

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

VIRGINIA
(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 May 13, 1997, there were 26,011,182 shares of the Registrant's Common Stock outstanding.

DOLLAR TREE STORES, INC.
and subsidiaries

INDEX

PART I. FINANCIAL INFORMATION

Page No.

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

Condensed Consolidated Balance Sheets March 31, 1997 and December 31, 1996.....	3
Condensed Consolidated Income Statements Three months ended March 31, 1997 and 1996.....	4
Condensed Consolidated Statements of Cash Flows Three months ended March 31, 1997 and 1996.....	5
Notes to Condensed Consolidated Financial Statements.....	6

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	7
---	---

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.....	10
ITEM 5. OTHER INFORMATION.....	11
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.....	11
SIGNATURES.....	12

<TABLE>
<CAPTION>

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

	(Unaudited) March 31, 1997	December 31, 1996
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash.....	\$ 4,354	\$ 2,987
Accounts receivable.....	928	1,855
Merchandise inventories	89,967	75,081
Deferred tax asset	2,150	2,002
Prepaid expenses and other current assets	3,494	4,028
	-----	-----
Total current assets.....	100,893	85,953
	-----	-----
Property and equipment, net.....	42,788	36,035
Deferred tax asset.....	1,965	1,947
Goodwill, net	45,924	46,405
Other assets, net.....	754	759
	-----	-----
TOTAL ASSETS.....	\$192,324	\$171,099
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current installments of revolving credit facility.....	\$ 4,500	\$ 0
Accounts payable	32,813	35,296
Accrued liabilities	12,236	14,260
Income taxes payable.....	1,502	12,607
Current installments of obligations under capital leases.....	295	302
	-----	-----
Total current liabilities.....	51,346	62,465
	-----	-----
Revolving credit facility, excluding current installments.....	30,000	3,000
Obligations under capital leases, excluding current installments.....	981	1,051
Other liabilities.....	3,658	2,993
	-----	-----
Total liabilities.....	85,985	69,509
	=====	=====
Subsequent event (note 3)		
Shareholders' equity:		
Common stock, par value \$0.01. Authorized 100,000,000 shares, 25,959,379 shares issued and outstanding at March 31, 1997 and 25,898,172 shares issued and outstanding at Dec. 31, 1996.....	260	259
Additional paid-in capital.....	32,740	31,555
Retained earnings.....	73,339	69,776
	-----	-----
Total shareholders' equity.....	106,339	101,590
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$192,324	\$171,099
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements

</TABLE>

3

<TABLE>
<CAPTION>

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

	Three Months Ended March 31,	
<S>	1997	1996
<C>	<C>	<C>
Net sales	\$117,746	\$ 84,975
Cost of sales.....	76,455	55,905

	-----	-----
Gross profit.....	41,291	29,070
	-----	-----
Selling, general and administrative expenses:		
Operating expenses.....	32,116	24,288
Depreciation and amortization.....	2,932	2,212
	-----	-----
Total selling, general and administrative expenses.....	35,048	26,500
	-----	-----
Operating income.....	6,243	2,570
Interest expense.....	450	1,069
	-----	-----
Income before income taxes.....	5,793	1,501
Provision for income taxes.....	2,230	578
	-----	-----
Net income.....	\$ 3,563	\$ 923
	=====	=====
Net income per share	\$ 0.12	\$ 0.03
	=====	=====
Weighted average number of common shares and common share equivalents outstanding (note 2):		
Primary	28,775	27,795
	-----	-----
Fully diluted.....	28,738	27,866
	-----	-----

See accompanying Notes to Condensed Consolidated Financial Statements

</TABLE>

4

<TABLE>

<CAPTION>

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

	Three Months Ended March 31,	
	1997	1996
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income.....	\$ 3,563	\$ 923
	-----	-----
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization.....	2,932	2,212
Loss on disposal of property and equipment	25	60
Provision for deferred income taxes.....	(166)	(58)
Changes in assets and liabilities increasing (decreasing) cash and cash equivalents, (1996 shown net of effects resulting from purchase of Dollar Bills, Inc.):		
Accounts receivable.....	927	293
Merchandise inventories.....	(14,886)	(15,891)
Prepaid expenses and other current assets.....	534	(325)
Other assets	452	(221)
Accounts payable.....	(2,483)	5,312
Accrued liabilities.....	(2,024)	(1,597)
Income taxes payable.....	(10,246)	(7,932)
Other liabilities.....	665	33
	-----	-----
Total adjustments.....	(24,270)	(18,114)
	-----	-----
Net cash used in operating activities	(20,707)	(17,191)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(9,229)	(4,417)
Payment for purchase of Dollar Bills, Inc., net of cash acquired.....	0	(52,209)
	-----	-----
Net cash used in investing activities.....	(9,229)	(56,626)
	-----	-----
Cash flows from financing activities:		
Proceeds from development facility.....	0	52,630

Proceeds from revolving credit facility.....	68,200	0
Repayment of revolving credit facility and facility fees.....	(37,147)	0
Net change in notes payable to bank.....	0	11,600
Principal payments under capital lease obligations.....	(77)	(138)
Proceeds from options exercised and purchase of shares under ESPP.....	327	426
	-----	-----
Net cash provided by financing activities.....	31,303	64,518
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	1,367	(9,299)
Cash and cash equivalents at beginning of period.....	2,987	22,415
	-----	-----
Cash and cash equivalents at end of period.....	\$ 4,354	\$ 13,116
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements
</TABLE>

5

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

1. BASIS OF PRESENTATION

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

2. 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 original terms of the SIP, options for no more than 270,000 shares of common stock may be granted in any calendar year. This restriction on the number of shares granted in any one year was removed by the Board of Directors in a unanimous consent signed March 18, 1997.

At March 31, 1997 and 1996, options for the following numbers of shares were outstanding under each plan:

PLAN	Options for Shares Outstanding at		Exercise Price/Range
	March 31, 1997	March 31, 1996	
----	-----	-----	-----
SOP.....	273,445	432,328	\$ 2.90
SIP.....	776,692	264,888	\$10.00 - 40.50

The options above include options for 306,200 shares, net of lapses and cancellations, granted during the first quarter of 1997 which are not included in the earnings per share calculation.

On January 1, 1995, the Company also established The Dollar Tree Stores, Inc. Employee Stock Purchase Plan (the "ESPP"). The Company reserved 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 May 13, 1997, 14,292 shares have

6

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 will adopt Statement of Financial Accounting Standards No. 128, "Earnings Per Share," for the year ended December 31, 1997. This accounting

pronouncement replaces the calculation and presentation of primary earnings per share with basic earnings per share and of fully diluted earnings per share with diluted earnings per share. Under SFAS No. 128, the pro forma basic earnings per share would have been \$0.14 for the three months ended March 31, 1997. The Company believes that diluted earnings per share under SFAS No. 128 will approximate the Company's fully diluted earnings per share as reported.

3. ISSUANCE OF DEBT

On April 30, 1997, the Company issued \$30 million of Senior Unsecured Notes (the "Notes") due April 30, 2004. The proceeds will be used to repay existing indebtedness and for general corporate purposes, including capital expenditures. The principal amount of the Notes is payable in five equal annual installments of \$6 million beginning May 2000. Interest is payable semi-annually at a fixed rate of 7.29%. The Notes contain restrictive covenants which, among other things, require the Company to maintain certain financial ratios. The Notes rank pari passu with all other senior unsecured indebtedness.

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

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

7

THE THREE MONTHS ENDED MARCH 31, 1997 AND 1996

RESULTS OF OPERATIONS AND GENERAL COMMENTS

Net sales increased \$32.8 million, or 38.6%, to \$117.7 million for the three months ended March 31, 1997, from \$85.0 million for the three months ended March 31, 1996. Of this increase, (i) approximately 50.3%, or \$16.5 million, was attributable to stores opened in 1996 and 1997 which are not included in the Company's comparable store net sales calculation, (ii) approximately 29.6%, or \$9.7 million, was attributable to the acquisition of 136 Dollar Bills stores on January 31, 1996, and (iii) approximately 20.1%, or \$6.6 million, was attributable to comparable store net sales growth, which represented a 10.9% increase over comparable store net sales in the corresponding quarter of the prior period. Dollar Bills stores are included in the comparable store net sales percentage calculation for the full three-month period, beginning January 1, of each respective year. Because substantially all the Company's products sell for \$1.00, the increase in comparable store net sales was a direct result of increased unit volume. Comparable store net sales were driven primarily by an earlier Easter shopping season and a strong in-stock position on seasonal and general merchandise at year-end and throughout the quarter. The Company opened 30 new stores during the first quarter of 1997, compared to 24 new stores opened during the first quarter of 1996 (excluding the addition of 136 Dollar Bills stores in January, 1996).

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 sales in the future will be smaller than those experienced historically.

Gross profit, which consists of net sales less cost of sales (including distribution and certain occupancy costs), increased \$12.2 million, or 42.0%, to \$41.3 million in the first quarter of 1997 from \$29.1 million in the first quarter of 1996. As a percentage of net sales, gross profit increased to 35.1% from 34.2%, primarily due to improved merchandise costs (including freight) and improved occupancy and markdown costs as a percentage of net sales, offset by an increase in distribution costs as a percentage of net sales. Merchandise costs improved in part due to the change in merchandise mix, year over year, in the Dollar Bills stores, which were still operating with a heavier consumable product emphasis in the first quarter of 1996. Throughout 1996, the merchandise mix at Dollar Bills stores was changed to more closely resemble the mix at Dollar Tree stores, therefore management does not anticipate this level of improvement in merchandise costs in the future. Distribution costs increased as a result of start-up costs inherent in the installation of the Company's new Warehouse Management System. This new materials handling technology was installed in all three distribution centers during the first quarter, causing

some slight disruption in merchandise flow. Management expects some minor disruption to continue into the second quarter, but believes it will not

8

materially affect the Company's results of operations.

Selling, general and administrative expenses ("SGA"), which include operating expenses and depreciation and amortization, increased \$8.5 million, or 32.3%, to \$35.0 million in the first quarter of 1997 from \$26.5 million in the first quarter of 1996, and decreased as a percentage of net sales to 29.8% from 31.2% during the same period. This decrease resulted primarily from reduced payroll costs as a percentage of net sales due to the strong comparable store net sales increase. In addition, the decrease in SGA is partially due to the non-recurring expenses last year related to the acquisition of Dollar Bills, Inc., when the Company's operating expenses, not including amortization, increased by approximately \$1.3 million due to the acquisition. Amortization of goodwill relating to the acquisition amounted to \$0.5 million for the first quarter of 1997.

Operating income increased \$3.7 million, or 142.9%, to \$6.2 million for the first quarter of 1997 from \$2.6 million for the comparable period in 1996, and increased as a percentage of net sales to 5.3% from 3.0% during the same period for the reasons noted above.

INTEREST EXPENSE

Interest expense decreased \$0.6 million in the first quarter of 1997 compared to the first quarter of 1996 to \$0.5 million from \$1.1 million during the same period. This decrease is primarily a result of lower levels of debt in the current year compared to early 1996, when the Company had increased borrowings related to the purchase of Dollar Bills, Inc.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital requirements result primarily from capital expenditures related to new store openings 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.

In January, 1997, the Company completed the purchase of approximately 50 acres of land in Chesapeake, Virginia, on which it is constructing an expanded headquarters and distribution center facility, to replace its current Norfolk facility. The distribution center will have advanced materials handling technologies, including a new automated conveyor and sortation system. Management believes that upon completion of this facility, the Company's capacity to serve stores will increase to approximately 1,600 units, up from its current capacity of approximately 1,000 units. This Store Support Center project and related costs are expected to require an investment of approximately \$34 million. The Company believes that the facility will be operational in early

9

1998, when it is needed to support continued growth. There can be no assurance, however, that no delays will be experienced in opening the distribution center, or that there will be no complications in the integration of the new automation system. Any such delays or complications may result in significant interruption in the distribution of merchandise and materially adversely affect the Company's business and results of operations.

During the first three months of 1997 and 1996, net cash used in operations was \$20.7 million and \$17.2 million, respectively, primarily used to build inventory levels. During the first three months of 1997 and 1996, net cash used in investing activities was \$9.2 million and \$56.6 million, respectively, the decrease primarily due to payment for the acquisition of Dollar Bills in 1996. In 1997, net cash used in investing activities was in payment of capital expenditures. Net cash provided by financing activities was \$31.3 million and \$64.5 million during the first three months of 1997 and 1996, the decrease primarily attributable to borrowings incurred in 1996 to fund the acquisition of Dollar Bills. In 1997, net cash provided by financing activities was primarily used to fund seasonal working capital needs.

On April 30, 1997, the Company issued \$30 million of Senior Unsecured Notes (the "Notes") due April 30, 2004. The proceeds will be used to repay existing indebtedness and for general corporate purposes, including capital expenditures. The principal amount of the Notes is payable in five equal annual installments

of \$6 million beginning May 2000. Interest is payable semi-annually at a fixed rate of 7.29%. The Notes contain restrictive covenants which, among other things, require the Company to maintain certain financial ratios. The Notes rank pari passu with all other senior unsecured indebtedness.

NEW ACCOUNTING PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, EARNINGS PER SHARE. SFAS 128 establishes standards for computing and presenting earnings per share and is effective for financial statements issued for periods ending after December 15, 1997. It replaces the calculation and presentation of primary earnings per share with basic earnings per share and the calculation and presentation of fully diluted earnings per share with diluted earnings per share. The pro forma basic earnings per share calculation under SFAS No. 128 would have been \$0.14 for the three months ended March 31, 1997. The calculation and presentation of diluted earnings per share under SFAS No. 128 is not expected to differ materially from the Company's reported fully diluted earnings per share amounts.

10

PART II . OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company has previously reported in its 1996 Annual Report on Form 10-K litigation in the state and federal courts of Illinois involving Michael and Pamela Alper and a corporation they control. There have been no material developments regarding this matter in 1997.

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.

On March 18, 1997, the Board of Directors amended the Company's Stock Incentive Plan to remove the annual limitations on the number of options issuable by the Company. On the same date, the Company granted to employees options to purchase 303,700 shares of the Company's Common Stock.

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

(a) Exhibits

The following documents, filed as exhibits 10.1, 10.2 and 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, are incorporated herein by reference.

10.1 Purchase and Sale Agreement by and among Volvo Cars of North America, Inc., the Company, Dollar Tree Properties, Inc. and Dollar Tree Distribution, Inc.

10.2 First Amendment to Amended and Restated Revolving Credit Agreement by and among the Company, Dollar Tree Distribution, Inc., Dollar Tree Management, Inc. and certain Banks and the First National Bank of Boston as Agent for such Banks.

10.3 First Amendment to the Company's Stock Incentive Plan.

The following documents are filed herewith:

10.4 \$30 million, 7.29% Senior Guaranteed Notes, due April 30, 2004 (the "Notes").

10.5 Composite Conformed Copy of Note Agreements by Dollar Tree Distribution, Inc. and the Company, regarding the Notes.

10.6 Guaranty Agreement by Dollar Tree Management, Inc. regarding the Notes.

(b) Reports on Form 8-K.

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

11

SIGNATURES

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

DATE: May 13, 1997

DOLLAR TREE STORES, INC.

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

<TABLE> <S> <C>

<ARTICLE>

5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE COMPANY'S
FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 1997 AND IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

<S>

<C>

<PERIOD-TYPE>

3-MOS

<FISCAL-YEAR-END>

MAR-31-1997

<PERIOD-END>

MAR-31-1997

<CASH> 4,354

<SECURITIES> 0

<RECEIVABLES> 928

<ALLOWANCES> 0

<INVENTORY> 89,967

<CURRENT-ASSETS> 100,893

<PP&E> 69,334

<DEPRECIATION> 26,546

<TOTAL-ASSETS> 192,324

<CURRENT-LIABILITIES> 51,346

<BONDS> 0

<PREFERRED-MANDATORY> 0

<PREFERRED> 0

<COMMON> 260

<OTHER-SE> 106,079

<TOTAL-LIABILITY-AND-EQUITY> 192,324

<SALES> 117,746

<TOTAL-REVENUES> 117,746

<CGS> 76,455

<TOTAL-COSTS> 76,455

<OTHER-EXPENSES> 35,048

<LOSS-PROVISION> 0

<INTEREST-EXPENSE> 450

<INCOME-PRETAX> 5,793

<INCOME-TAX> 2,230

<INCOME-CONTINUING> 3,563

<DISCONTINUED> 0

<EXTRAORDINARY> 0

<CHANGES> 0

<NET-INCOME> 3,563

<EPS-PRIMARY> 0.12

<EPS-DILUTED> 0.12

</TABLE>

GUARANTY AGREEMENT

Dated as of April 15, 1997

By

DOLLAR TREE MANAGEMENT, INC.

Re: \$30,000,000 7.29% Senior Guaranteed Notes

Due April 30, 2004

of

DOLLAR TREE DISTRIBUTION, INC.

TABLE OF CONTENTS
(Not a part of the Agreement)

SECTION	HEADING	PAGE
Parties.....		1
Recitals.....		1
SECTION 1.	DEFINITIONS.....	2
SECTION 2.	GUARANTY OF NOTES AND NOTE AGREEMENTS.....	2
SECTION 3.	GUARANTY OF PAYMENT AND PERFORMANCE.....	2
SECTION 4.	GENERAL PROVISIONS RELATING TO THE GUARANTY.....	3
SECTION 5.	REPRESENTATIONS AND WARRANTIES OF THE SUBSIDIARY GUARANTOR....	8
SECTION 6.	SUBSIDIARY GUARANTOR COVENANTS.....	8
Section 6.1.	Compliance with Law.....	8
Section 6.2.	Insurance.....	8
Section 6.3.	Maintenance of Properties.....	8
Section 6.4.	Payment of Taxes and Claims.....	8
Section 6.5.	Corporate Existence, Etc.....	9
Section 6.6.	Nature of Business.....	9
Section 6.7.	Guaranty to Rank Pari Passu.....	9
SECTION 7.	SUBMISSION TO JURISDICTION.....	9
SECTION 8.	NOTICES.....	10
SECTION 9.	AMENDMENTS AND MODIFICATIONS; SOLICITATION OF NOTEHOLDERS....	10
SECTION 10.	MISCELLANEOUS.....	11
SECTION 11.	INDEMNITY.....	11
Signatures.....		13

-i-

GUARANTY AGREEMENT

Re: \$30,000,000 7.29% Senior Guaranteed Notes,

Due April 30, 2004

of

DOLLAR TREE DISTRIBUTION, INC.

This GUARANTY AGREEMENT (the or this "Guaranty") is dated as of April 15, 1997, by Dollar Tree Management, Inc., a Virginia corporation (the "Subsidiary Guarantor").

RECITALS:

A. Dollar Tree Stores, Inc., a Virginia corporation (the "Parent Guarantor"), is the direct owner of 100% of the issued and outstanding shares of capital stock of the Subsidiary Guarantor.

B. Dollar Tree Distribution, Inc., a Virginia corporation the "Issuer") is a Wholly-owned Subsidiary of the Parent Guarantor.

C. The Parent Guarantor and the Issuer are concurrently entering into separate and several Note Agreements, each dated as of April 15, 1997 (as amended from time to time, collectively, the "Note Agreements") with each of the Purchasers named on Schedule I attached thereto (collectively, the "Purchasers"), pursuant to which the Issuer will issue and sell to the Purchasers \$30,000,000 aggregate principal amount of its 7.29% Senior Guaranteed Notes, due April 30, 2004 (the "Notes"). The Purchasers and each and every other holder from time to time of the Notes are herein collectively referred to as the "Noteholders". Pursuant to Section 6 of the Note Agreements, the obligations of the Issuer will be guaranteed by the Parent Guarantor. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Note Agreements.

D. The Purchasers have required that the Subsidiary Guarantor enter into this Guaranty as security for the Notes and the Subsidiary Guarantor by reason of its interest in the repayment by the Issuer of certain indebtedness incurred and thereby provide the Issuer with funds to repay indebtedness and for other general corporate purposes, has agreed to execute this Guaranty.

NOW, THEREFORE, in consideration of the premises and for the purpose of inducing the purchase and acceptance of the Notes by the Purchasers and in further consideration of the sum of Ten Dollars (\$10.00) paid to the Subsidiary Guarantor by the Purchasers, the receipt whereof is hereby acknowledged, the Subsidiary Guarantor does hereby covenant and agree as follows:

SECTION 1. DEFINITIONS.

Unless the context otherwise requires, capitalized terms used herein shall have the meanings assigned thereto in the Note Agreements and such definitions shall be equally applicable to both the singular and plural forms of any of the terms so defined.

SECTION 2. GUARANTY OF NOTES AND NOTE AGREEMENTS.

(a) Subject to Section 2(B) below, the Subsidiary Guarantor does hereby irrevocably, absolutely and unconditionally guaranty unto the Noteholders (1) the full and prompt payment of the principal of, premium, if any, and interest on the Notes from time to time outstanding, as and when such payments shall become due and payable, whether by lapse of time, upon redemption or prepayment, by extension or by acceleration or declaration or otherwise (including (to the extent legally enforceable) interest due on overdue payments of principal, premium, if any, or interest accrued after the commencement of any proceeding referred to in Section.4(C)(3) hereof at the rate set forth in the Notes) in coin or currency of the United States of America which at the time of payment or demand therefor shall be legal tender for the payment of public and private debts, (2) the full and prompt performance and observance by the Issuer of each and all of the obligations, covenants and agreements required to be performed or owned by the Issuer under the terms of the Notes and the Note Agreements, and (3) the full and prompt payment, upon demand by any Noteholder of all costs and expenses, legal or otherwise (including reasonable attorneys' fees), if any, as shall have been expended or incurred in the protection or enforcement of any right or privilege under the Notes or the Note Agreements or in the protection or enforcement of any rights, privileges or liabilities under this Guaranty or in any consultation or action in connection therewith or herewith.

(b) The obligations of the Subsidiary Guarantor hereunder shall be limited to the lesser of (i) the obligations of the Issuer guaranteed hereunder, or (ii) a maximum aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any applicable provisions of comparable state law (collectively, the "Fraudulent Transfer Laws"), if and to the extent the Subsidiary Guarantor (or a trustee on its behalf) has properly invoked the protections of the Fraudulent Transfer Laws in each case after giving effect to all other liabilities of the Subsidiary Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws.

SECTION 3. GUARANTY OF PAYMENT AND PERFORMANCE.

This is a guaranty of payment and performance and the Subsidiary Guarantor hereby waives, to the fullest extent permitted by law, any right to require that any action on or in respect of any Note or the Note Agreements be brought against the Issuer or that resort be had to any direct or indirect security for the Notes or for this Guaranty or any other remedy. Any Noteholder may, at its option, proceed hereunder against the Subsidiary Guarantor in the first instance to collect monies when due, the payment of which is guaranteed

hereby, without first proceeding against the Issuer, the Parent Guarantor or any other person and without first resorting to any direct or indirect security for the Notes, or for this Guaranty or any other remedy. The liability of the Subsidiary Guarantor hereunder shall in no way be affected or impaired by any

acceptance by any Noteholder of any direct or indirect security for, or other guaranties of, any indebtedness, liability or obligation of the Issuer, the Parent Guarantor or any other person to any Noteholder or by any failure, delay, neglect or omission by the Noteholder to realize upon or protect any such indebtedness, liability or obligation or any notes or other instruments evidencing the same or any direct or indirect security therefor or by any approval, consent, waiver, or other action taken, or omitted to be taken by any such Noteholder.

SECTION 4. GENERAL PROVISIONS RELATING TO THE GUARANTY.

(a) The Subsidiary Guarantor hereby consents and agrees that any Noteholder or Noteholders from time to time, with or without any further notice to or assent from the Subsidiary Guarantor, may, without in any manner affecting the liability of the Subsidiary Guarantor under this Guaranty, upon such terms and conditions as any such Noteholder may deem advisable:

(1) extend in whole or in part (by renewal or otherwise), modify, change, compromise, release or extend the duration of the time for the performance or payment of any indebtedness, liability or obligation of the Issuer, the Parent Guarantor or any other person secondarily or otherwise liable for any indebtedness, liability or obligations of the Issuer on the Notes, or waive any default with respect thereto, or waive, modify, amend or change any provision of any other instruments and this Guaranty; or

(2) sell, release, surrender, modify, impair, exchange or substitute any and all property, of any nature and from whomsoever received, held by, or for the benefit of, any such Noteholder as direct or indirect security for the payment or performance of any indebtedness, liability or obligation of the Issuer, the Parent Guarantor or any other person secondarily or otherwise liable for any indebtedness, liability or obligation of the Issuer on the Notes; or

(3) settle, adjust or compromise any claim of the Issuer against any other person secondarily or otherwise liable for any indebtedness, liability or obligation of the Issuer on the Notes.

The Subsidiary Guarantor hereby ratifies and confirms any such extension, renewal, change, sale, release, waiver, surrender, exchange, modification, amendment, impairment, substitution, settlement, adjustment or compromise and that the same shall be binding upon it, and hereby waives, to the fullest extent permitted by law, any and all defenses, counterclaims or offsets which it might or could have by reason thereof, it being understood that the Subsidiary Guarantor shall at all times be bound by this Guaranty and remain liable hereunder.

-3-

(b) The Subsidiary Guarantor hereby waives, to the fullest extent permitted by law: (1) notice of acceptance of this Guaranty by the Noteholders or of the creation, renewal or accrual of any liability of the Issuer, present or future, or of the reliance of such Noteholders upon this Guaranty (it being understood that every indebtedness, liability and obligation described in Section.1 shall conclusively be presumed to have been created, contracted or incurred in reliance upon the execution of this Guaranty); (2) demand of payment by any Noteholder from the Issuer, the Parent Guarantor or any other person indebted in any manner on or for any of the indebtedness, liabilities or obligations hereby guaranteed; and (3) presentment for the payment by any Noteholder or any other person of the Notes or any other instrument, protest thereof and notice of its dishonor to any party thereto and to the Subsidiary Guarantor. The obligations of the Subsidiary Guarantor under this Guaranty and the rights of any Noteholder to enforce such obligations by any proceedings, whether by action at law, suit in equity or otherwise, shall not be subject to any reduction, limitation, impairment or termination, whether by reason of any claim of any character whatsoever or otherwise and shall not be subject to any defense, set-off, counterclaim (other than any compulsory counterclaim), recoupment or termination whatsoever.

(c) The obligations of the Subsidiary Guarantor hereunder shall be binding upon the Subsidiary Guarantor and its successors and assigns, and shall remain in full force and effect irrespective of:

(1) the genuineness, validity, regularity or enforceability of the Notes, the Note Agreements or any other instruments relating thereto or any of the terms of any thereof, the continuance of any obligation on the part of the Issuer, the Parent Guarantor or any other person on the Notes or under the Note Agreements or the power or authority or the lack of power or authority of the Issuer to issue the Notes or execute and deliver the Note Agreements or to perform any of its obligations thereunder or the existence or continuance of the Issuer, the Parent Guarantor or any other person as a legal entity; or

(2) any default, failure or delay, willful or otherwise, in the performance by the Issuer, the Parent Guarantor or any other person of any obligations of any kind or character whatsoever of the Issuer, the Parent Guarantor or any other person (including, without limitation, the obligations and undertakings of the Issuer, the Parent Guarantor or any other person under the Notes or the Note Agreements); or

(3) any creditors' rights, bankruptcy, receivership or other insolvency proceeding of the Issuer, the Parent Guarantor or any other person or in respect of the property of the Issuer, the Parent Guarantor or any other person or any merger, consolidation, reorganization, dissolution, liquidation or winding up of the Issuer, the Parent Guarantor or any other person; or

(4) impossibility or illegality of performance on the part of the Issuer, the Parent Guarantor or any other person of its obligations under the Notes, the Note Agreements or any other instruments; or

-4-

(5) in respect of the Issuer, the Parent Guarantor or any other person, any change of circumstances, whether or not foreseen or foreseeable, whether or not imputable to the Issuer, the Parent Guarantor or any other person, or other impossibility of performance through fire, explosion, accident, labor disturbance, floods, droughts, embargoes, wars (whether or not declared), civil commotions, acts of God or the public enemy, delays or failure of suppliers or carriers, inability to obtain materials, action of any Federal or state regulatory body or agency, change of law or any other causes affecting performance, or any other force majeure, whether or not beyond the control of the Issuer, the Parent Guarantor or any other person and whether or not of the kind hereinbefore specified; or

(6) any attachment, claim, demand, charge, lien, order, process, encumbrance or any other happening or event or reason, similar or dissimilar to the foregoing, or any withholding or diminution at the source, by reason of any taxes, assessments, expenses, indebtedness, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid, incurred by or against any person, or any claims, demands, charges or liens of any nature, foreseen or unforeseen, incurred by any person, or against any sums payable under this Guaranty, so that such sums would be rendered inadequate or would be unavailable to make the payments herein provided; or

(7) any order, judgment, decree, ruling or regulation (whether or not valid) of any court of any nation or of any political subdivision thereof or any body, agency, department, official or administrative or regulatory agency of any thereof or any other action, happening, event or reason whatsoever which shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by any party of its respective obligations under the Notes, the Note Agreements or any instrument relating thereto; or

(8) the failure of the Subsidiary Guarantor to receive any benefit from or as a result of its execution, delivery and performance of this Guaranty; or

(9) any failure or lack of diligence in collection or protection, failure in presentment or demand for payment, protest, notice of protest, notice of default and of nonpayment, any failure to give notice to the Subsidiary Guarantor of failure of the Issuer, the Parent Guarantor or any other person to keep and perform any obligation, covenant or agreement under the terms of the Notes or the Note Agreements or failure to resort for payment to the Issuer, the Parent Guarantor or any other person or to any other guaranty or to any property, security, liens or other rights or remedies; or

(10) the acceptance of any additional security or other guaranty, the advance of additional money to the Issuer, the Parent Guarantor or any other person, the renewal or extension of the Notes or amendments, modifications, consents or waivers with respect to the Notes or the Note Agreements, or the sale, release, substitution or exchange of any security for the Notes; or

- 5-

(11) any defense whatsoever that the Issuer, the Parent Guarantor or any other person might have to the payment of the Notes (principal, premium, if any, or interest), other than payment in cash thereof, or to the performance or observance of any of the provisions of the Note Agreements, whether through the satisfaction or purported satisfaction by the Issuer, the Parent Guarantor or any other person of its debts due to any cause such as bankruptcy, insolvency, receivership, merger, consolidation, reorganization, dissolution, liquidation, winding-up or otherwise; or

(12) any act or failure to act with regard to the Notes, the Note Agreements or anything which might vary the risk of the Subsidiary Guarantor; or

(13) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Subsidiary Guarantor in respect of the obligations of the Subsidiary Guarantor under this Guaranty; provided that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty that the obligations of the Subsidiary Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except by the payment of the principal of, premium, if any, and interest on the Notes in accordance with their respective terms whenever the same shall become due and payable as provided in the Notes, at the place specified in and all in the manner and with the effect provided in the Notes and the Note Agreements, as amended or modified from time to time. Without limiting the foregoing, it is understood that repeated and successive demands may be made and recoveries may be had hereunder as and when, from time to time, the Issuer shall default under the terms of the Notes or the Note Agreements and that notwithstanding recovery hereunder for or in respect of any given default or defaults by the Issuer under the Notes or the Note Agreements, this Guaranty shall remain in full force and effect and shall apply to each and every subsequent default.

(d) All rights of any Noteholder may be transferred or assigned at any time and shall be considered to be transferred or assigned at any time or from time to time upon the transfer of such Note whether with or without the

consent of or notice to the Subsidiary Guarantor under this Guaranty or the Issuer.

(e) To the extent of any payments made under this Guaranty, the Subsidiary Guarantor shall be subrogated to the rights of the Noteholder upon whose Note such payment was made, but the Subsidiary Guarantor covenants and agrees that such right of subrogation shall be subordinate in right of payment to the rights of any Noteholder for which full payment has not been made or provided for and, to that end, the Subsidiary Guarantor agrees not to claim or enforce any such right of subrogation or any right of set-off or any other right which may arise on account of any payment made by the Subsidiary Guarantor in accordance with the provisions of this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of any Noteholder or Noteholders against the Issuer or the Parent Guarantor, whether or

-6-

not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Issuer or the Parent Guarantor directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right unless and until 366 days after all of the Notes and all other sums due and payable under the Note Agreements have been fully paid and discharged. If any amount shall be paid to the Subsidiary Guarantor in violation of the preceding sentence at any time prior to the indefeasible cash payment in full of the Notes and all other amounts payable under the Note Agreements and this Guaranty, such amounts shall be held in trust for the benefit of the Noteholders and shall forthwith be paid to the Noteholders to be credited and applied to the amounts due or to become due with respect to the Notes and all other amounts payable under the Note Agreements and this Guaranty, whether matured or unmatured.

(f) The Subsidiary Guarantor agrees that to the extent the Issuer, the Parent Guarantor or any other person makes any payment on any Note, which payment or any part thereof is subsequently invalidated, voided, declared to be fraudulent or preferential, set aside, recovered, rescinded or is required to be retained by or repaid to a trustee, liquidator, receiver, or any other person under any bankruptcy code, common law, or equitable cause, then and to the extent of such payment, the obligation or the part thereof intended to be satisfied shall be revived and continued in full force and effect with respect to the Subsidiary Guarantor's obligations hereunder, as if said payment had not been made. The liability of the Subsidiary Guarantor hereunder shall not be reduced or discharged, in whole or in part, by any payment to any Noteholder from any source that is thereafter paid, returned or refunded in whole or in part by reason of the assertion of a claim of any kind relating thereto, including, but not limited to, any claim for breach of contract, breach of warranty, preference, illegality, invalidity, or fraud asserted by any account debtor or by any other person.

(g) No Noteholder shall be under any obligation (1) to marshal any assets in favor of the Subsidiary Guarantor or in payment of any or all of the liabilities of the Issuer under or in respect of the Notes or the obligations of the Subsidiary Guarantor hereunder or (2) to pursue any other remedy that the Subsidiary Guarantor may or may not be able to pursue itself and that may lighten the Subsidiary Guarantor's burden or any right to which the Subsidiary Guarantor hereby expressly waives.

(h) The obligations of the Subsidiary Guarantor with respect to the guaranty and all other obligations under this Guaranty of the Subsidiary Guarantor are direct and unsecured obligations of the Subsidiary Guarantor ranking pari passu as against the assets of the Subsidiary Guarantor and pari passu with all other present and future Indebtedness of the Subsidiary Guarantor which is not expressed to be subordinate or junior in rank to any other Indebtedness of the Subsidiary Guarantor (except to the extent that the foregoing is not true by virtue of, and solely by virtue of, Liens expressly permitted by the Note Agreements securing other Indebtedness insofar as such Indebtedness represents a prior claim in respect of the property or assets secured by such permitted Lien).

-7-

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE SUBSIDIARY GUARANTOR.

The Subsidiary Guarantor represents and warrants that the representations and warranties set forth in Exhibit B-3 of the Note Agreements are true and correct with respect to the Subsidiary Guarantor as of the date hereof and are incorporated by reference with the same force and effect as though herein set forth in full.

SECTION 6. SUBSIDIARY GUARANTOR COVENANTS.

Section 6.1. Compliance with Law. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws and ERISA, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental

authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.2. Insurance. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 6.3. Maintenance of Properties. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times; provided that this Section shall not prevent the Subsidiary Guarantor or any subsidiary thereof from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Subsidiary Guarantor has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.4. Payment of Taxes and Claims. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Guaranty or any subsidiary thereof; provided that neither the Subsidiary

-8-

Guarantor nor any subsidiary need pay any such tax or assessment or claims if (a) the amount, applicability or validity thereof is contested by the Guaranty or such subsidiary on a timely basis in good faith and in appropriate proceedings, and the Guaranty or a subsidiary thereof has established adequate reserves therefor in accordance with GAAP on the books of the Guaranty or such subsidiary or (b) the nonpayment of all such taxes, assessments and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 6.5. Corporate Existence, Etc. Subject to Section 5.12 of the Note Agreements, the Subsidiary Guarantor will, and will cause each of its subsidiaries to, at all times preserve and keep in full force and effect its corporate existence and all rights and franchises of the Subsidiary Guarantor and its subsidiaries unless, in the good faith judgment of the Subsidiary Guarantor, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 6.6. Nature of Business. Neither the Subsidiary Guarantor nor any subsidiary thereof will engage in any business if, as a result, the general nature of the business, taken on a consolidated basis, which would then be engaged in by the Subsidiary Guarantor and its subsidiaries would be substantially changed from the general nature of the business engaged in by the Subsidiary Guarantor on the date of this Agreement.

Section 6.7. Guaranty to Rank Pari Passu. The Subsidiary Guarantor will keep and maintain the obligations of the Subsidiary Guarantor with respect to this Guaranty as direct obligations of the Subsidiary Guarantor ranking pari passu as against the assets of the Subsidiary Guarantor with all other present or future Debt of the Subsidiary Guarantor except to the extent such Debt is secured by a Lien permitted under the Note Agreements or such Debt is subordinated to the obligations of this Guaranty.

SECTION 7. SUBMISSION TO JURISDICTION.

Any legal action or proceeding with respect to this Guaranty or any document related thereto may be brought in the courts of the United States of America for the Southern District of New York and, by execution and delivery of this Guaranty, the Subsidiary Guarantor hereby accepts for itself and in respect of its property generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts, and the Subsidiary Guarantor waives any objection which it may have based on improper venue or forum non conveniens to the conduct of any proceeding in any such court and waives personal service of any and all process

upon it, and consents that all such service of process be made by delivery to it at the address set forth in Section 8 or to its agent referred to below at such agent's address set forth below and that service so made shall be deemed to be completed upon actual receipt; provided, that a copy of such service of process shall be delivered to the Subsidiary Guarantor as provided in SS.8 hereof. The Subsidiary Guarantor hereby irrevocably appoints CT Corporation System, with an office at 1633 Broadway, New York, New York 10019 as its agent for the purpose of accepting service of any process within the State of New York. Nothing contained in this Section 7 shall affect the right of any Noteholder to serve legal process in any other manner permitted by law or to bring any action or

-9-

proceeding in the courts of any jurisdiction against the Subsidiary Guarantor or to enforce a judgment obtained in the courts of any other jurisdiction.

SECTION 8. NOTICES.

All communications provided for herein shall be in writing, and (a) if to the Issuer or the Subsidiary Guarantor, delivered or mailed prepaid by registered or certified mail or express commercial air courier, or by facsimile communication (prompt express commercial air courier delivery of hard copy to follow such facsimile communication), or (b) if to any Noteholder, delivered or mailed prepaid by express commercial air courier, or by facsimile communication (prompt express commercial air courier delivery of hard copy to follow such facsimile communication), in any case at the addresses set forth below, or to such other address as such person may designate to the other persons named below by notice given in accordance with this Section:

If to any Noteholder:	To its address for notices appearing in Schedule I to the Note Agreements, as the case may be
If to the Subsidiary Guarantor:	2555 Ellsmere Avenue Norfolk, Virginia 23513 Attention: Chief Financial Officer
If to the Issuer:	2555 Ellsmere Avenue Norfolk, Virginia 23513 Attention: Chief Financial Officer

SECTION 9. AMENDMENTS AND MODIFICATIONS; SOLICITATION OF NOTEHOLDERS.

(a) This Guaranty may only be amended and/or modified by an instrument in writing signed by the Subsidiary Guarantor and by the Noteholder or Noteholders of at least 66-2/3% in aggregate principal amount of the Notes then outstanding; provided, that without the written consent of the Noteholders of all of the Notes then outstanding, no such waiver, modification, alteration or amendment shall be effective which will reduce the scope of the guaranty set forth in this Guaranty or amend the requirements of Sections 2, 3 or 4 hereof or amend this Section 9. No such amendment or modification shall extend to or affect any obligation not expressly amended or modified or impair any right consequent thereon.

(b) The Subsidiary Guarantor agrees that it will not solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions of this Guaranty, the Note Agreements or the Notes unless each Noteholder (irrespective of the amount of Notes then owned by it) shall be

-10-

informed thereof by the Subsidiary Guarantor and shall be afforded the opportunity of considering the same for a period of not less than 30 days and shall be supplied by the Subsidiary Guarantor with a brief statement regarding the reasons for any such proposed waiver or amendment, a copy of the proposed waiver or amendment and such other information regarding such amendment or waiver as any Noteholder shall reasonably request to enable it to make an informed decision with respect thereto. Executed or true and correct copies of any waiver or amendment effected pursuant to the provisions of this Section 9 shall be delivered by the Subsidiary Guarantor to each Noteholder of outstanding Notes within 30 days following the date on which the same shall have been executed and delivered by the holder or holders of the requisite percentage of the outstanding Notes. The Subsidiary Guarantor agrees that it will not, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any Noteholder as consideration for or as an inducement to the entering into by any Noteholder of any waiver or amendment of any of the terms and provisions of this Guaranty, the Note Agreements or the Notes unless such remuneration is concurrently paid, on the same terms, ratably to the Noteholders of all of the Notes then outstanding.

SECTION 10. MISCELLANEOUS.

(a) No remedy herein conferred upon or reserved to any Noteholder is

intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any Noteholder to exercise any remedy reserved to it under the Guaranty, it shall not be necessary for such Noteholder to physically produce its Note in any proceedings instituted by it or to give any notice, other than such notice as may be herein expressly required.

(b) In case any one or more of the provisions contained in this Guaranty shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby.

(c) This Guaranty shall be binding upon the undersigned Subsidiary Guarantor and its respective successors and assigns and shall inure to the benefit of each Noteholder and its successors and assigns so long as its Note remains outstanding and unpaid.

(D) THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH NEW YORK LAW, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

-11-

SECTION 11. INDEMNITY.

To the fullest extent of applicable law, the Subsidiary Guarantor shall indemnify and save each Noteholder harmless from and against any losses which may arise by virtue of any of the obligations hereby guaranteed being or becoming for any reason whatsoever in whole or in part void, voidable, contrary to law, invalid, ineffective or otherwise unenforceable by the Noteholders or any of them in accordance with its terms (all of the foregoing collectively, an "Indemnifiable Circumstance"). For greater certainty, these losses shall include without limitation all obligations hereby guaranteed which would have been payable by the Issuer but for the existence of an Indemnifiable Circumstance; provided, however, that the extent of the Subsidiary Guarantor's aggregate liability under this Section.11 shall not at any time exceed the amount (but for any Indemnifiable Circumstance) otherwise guaranteed pursuant to Section.2.

-12-

IN WITNESS WHEREOF, the Subsidiary Guarantor has caused this Guaranty Agreement to be duly executed by an authorized officer as of the 30th day of April, 1997.

Signatures.

DOLLAR TREE MANAGEMENT, INC.

By: /s/ Macon Brock, Jr.
Title: Chief Executive Officer, President

-13-

GUARANTY AGREEMENT

Dated as of April 15, 1997

By

DOLLAR TREE MANAGEMENT, INC.

Re: \$30,000,000 7.29% Senior Guaranteed Notes

Due April 30, 2004

of

DOLLAR TREE DISTRIBUTION, INC.

TABLE OF CONTENTS
(Not a part of the Agreement)

SECTION	HEADING	PAGE
Parties.....		1
Recitals.....		1
SECTION 1.	DEFINITIONS.....	2
SECTION 2.	GUARANTY OF NOTES AND NOTE AGREEMENTS.....	2
SECTION 3.	GUARANTY OF PAYMENT AND PERFORMANCE.....	2
SECTION 4.	GENERAL PROVISIONS RELATING TO THE GUARANTY.....	3
SECTION 5.	REPRESENTATIONS AND WARRANTIES OF THE SUBSIDIARY GUARANTOR....	8
SECTION 6.	SUBSIDIARY GUARANTOR COVENANTS.....	8
	Section 6.1. Compliance with Law.....	8
	Section 6.2. Insurance.....	8
	Section 6.3. Maintenance of Properties.....	8
	Section 6.4. Payment of Taxes and Claims.....	8
	Section 6.5. Corporate Existence, Etc.....	9
	Section 6.6. Nature of Business.....	9
	Section 6.7. Guaranty to Rank Pari Passu.....	9
SECTION 7.	SUBMISSION TO JURISDICTION.....	9
SECTION 8.	NOTICES.....	10
SECTION 9.	AMENDMENTS AND MODIFICATIONS; SOLICITATION OF NOTEHOLDERS....	10
SECTION 10.	MISCELLANEOUS.....	11
SECTION 11.	INDEMNITY.....	11
Signatures.....		13

-i-

GUARANTY AGREEMENT

Re: \$30,000,000 7.29% Senior Guaranteed Notes,

Due April 30, 2004

of

DOLLAR TREE DISTRIBUTION, INC.

This GUARANTY AGREEMENT (the or this "Guaranty") is dated as of April 15, 1997, by Dollar Tree Management, Inc., a Virginia corporation (the "Subsidiary Guarantor").

RECITALS:

A. Dollar Tree Stores, Inc., a Virginia corporation (the "Parent Guarantor"), is the direct owner of 100% of the issued and outstanding shares of capital stock of the Subsidiary Guarantor.

B. Dollar Tree Distribution, Inc., a Virginia corporation the "Issuer") is a Wholly-owned Subsidiary of the Parent Guarantor.

C. The Parent Guarantor and the Issuer are concurrently entering into separate and several Note Agreements, each dated as of April 15, 1997 (as amended from time to time, collectively, the "Note Agreements") with each of the Purchasers named on Schedule I attached thereto (collectively, the "Purchasers"), pursuant to which the Issuer will issue and sell to the Purchasers \$30,000,000 aggregate principal amount of its 7.29% Senior Guaranteed Notes, due April 30, 2004 (the "Notes"). The Purchasers and each and every other holder from time to time of the Notes are herein collectively referred to as the "Noteholders". Pursuant to Section 6 of the Note Agreements, the obligations of the Issuer will be guaranteed by the Parent Guarantor. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Note Agreements.

D. The Purchasers have required that the Subsidiary Guarantor enter into this Guaranty as security for the Notes and the Subsidiary Guarantor by reason of its interest in the repayment by the Issuer of certain indebtedness incurred and thereby provide the Issuer with funds to repay indebtedness and for other general corporate purposes, has agreed to execute this Guaranty.

NOW, THEREFORE, in consideration of the premises and for the purpose of inducing the purchase and acceptance of the Notes by the Purchasers and in further consideration of the sum of Ten Dollars (\$10.00) paid to the Subsidiary Guarantor by the Purchasers, the receipt whereof is hereby acknowledged, the Subsidiary Guarantor does hereby covenant and agree as follows:

SECTION 1. DEFINITIONS.

Unless the context otherwise requires, capitalized terms used herein shall have the meanings assigned thereto in the Note Agreements and such definitions shall be equally applicable to both the singular and plural forms of any of the terms so defined.

SECTION 2. GUARANTY OF NOTES AND NOTE AGREEMENTS.

(a) Subject to Section 2(B) below, the Subsidiary Guarantor does hereby irrevocably, absolutely and unconditionally guaranty unto the Noteholders (1) the full and prompt payment of the principal of, premium, if any, and interest on the Notes from time to time outstanding, as and when such payments shall become due and payable, whether by lapse of time, upon redemption or prepayment, by extension or by acceleration or declaration or otherwise (including (to the extent legally enforceable) interest due on overdue payments of principal, premium, if any, or interest accrued after the commencement of any proceeding referred to in Section.4(C)(3) hereof at the rate set forth in the Notes) in coin or currency of the United States of America which at the time of payment or demand therefor shall be legal tender for the payment of public and private debts, (2) the full and prompt performance and observance by the Issuer of each and all of the obligations, covenants and agreements required to be performed or owned by the Issuer under the terms of the Notes and the Note Agreements, and (3) the full and prompt payment, upon demand by any Noteholder of all costs and expenses, legal or otherwise (including reasonable attorneys' fees), if any, as shall have been expended or incurred in the protection or enforcement of any right or privilege under the Notes or the Note Agreements or in the protection or enforcement of any rights, privileges or liabilities under this Guaranty or in any consultation or action in connection therewith or herewith.

(b) The obligations of the Subsidiary Guarantor hereunder shall be limited to the lesser of (i) the obligations of the Issuer guaranteed hereunder, or (ii) a maximum aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any applicable provisions of comparable state law (collectively, the "Fraudulent Transfer Laws"), if and to the extent the Subsidiary Guarantor (or a trustee on its behalf) has properly invoked the protections of the Fraudulent Transfer Laws in each case after giving effect to all other liabilities of the Subsidiary Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws.

SECTION 3. GUARANTY OF PAYMENT AND PERFORMANCE.

This is a guaranty of payment and performance and the Subsidiary Guarantor hereby waives, to the fullest extent permitted by law, any right to require that any action on or in respect of any Note or the Note Agreements be brought against the Issuer or that resort be had to any direct or indirect security for the Notes or for this Guaranty or any other remedy. Any Noteholder may, at its option, proceed hereunder against the Subsidiary Guarantor in the first instance to collect monies when due, the payment of which is guaranteed

hereby, without first proceeding against the Issuer, the Parent Guarantor or any other person and without first resorting to any direct or indirect security for the Notes, or for this Guaranty or any other remedy. The liability of the Subsidiary Guarantor hereunder shall in no way be affected or impaired by any

acceptance by any Noteholder of any direct or indirect security for, or other guaranties of, any indebtedness, liability or obligation of the Issuer, the Parent Guarantor or any other person to any Noteholder or by any failure, delay, neglect or omission by the Noteholder to realize upon or protect any such indebtedness, liability or obligation or any notes or other instruments evidencing the same or any direct or indirect security therefor or by any approval, consent, waiver, or other action taken, or omitted to be taken by any such Noteholder.

SECTION 4. GENERAL PROVISIONS RELATING TO THE GUARANTY.

(a) The Subsidiary Guarantor hereby consents and agrees that any Noteholder or Noteholders from time to time, with or without any further notice to or assent from the Subsidiary Guarantor, may, without in any manner affecting the liability of the Subsidiary Guarantor under this Guaranty, upon such terms and conditions as any such Noteholder may deem advisable:

(1) extend in whole or in part (by renewal or otherwise), modify, change, compromise, release or extend the duration of the time for the performance or payment of any indebtedness, liability or obligation of the Issuer, the Parent Guarantor or any other person secondarily or otherwise liable for any indebtedness, liability or obligations of the Issuer on the Notes, or waive any default with respect thereto, or waive, modify, amend or change any provision of any other instruments and this Guaranty; or

(2) sell, release, surrender, modify, impair, exchange or substitute any and all property, of any nature and from whomsoever received, held by, or for the benefit of, any such Noteholder as direct or indirect security for the payment or performance of any indebtedness, liability or obligation of the Issuer, the Parent Guarantor or any other person secondarily or otherwise liable for any indebtedness, liability or obligation of the Issuer on the Notes; or

(3) settle, adjust or compromise any claim of the Issuer against any other person secondarily or otherwise liable for any indebtedness, liability or obligation of the Issuer on the Notes.

The Subsidiary Guarantor hereby ratifies and confirms any such extension, renewal, change, sale, release, waiver, surrender, exchange, modification, amendment, impairment, substitution, settlement, adjustment or compromise and that the same shall be binding upon it, and hereby waives, to the fullest extent permitted by law, any and all defenses, counterclaims or offsets which it might or could have by reason thereof, it being understood that the Subsidiary Guarantor shall at all times be bound by this Guaranty and remain liable hereunder.

-3-

(b) The Subsidiary Guarantor hereby waives, to the fullest extent permitted by law: (1) notice of acceptance of this Guaranty by the Noteholders or of the creation, renewal or accrual of any liability of the Issuer, present or future, or of the reliance of such Noteholders upon this Guaranty (it being understood that every indebtedness, liability and obligation described in Section.1 shall conclusively be presumed to have been created, contracted or incurred in reliance upon the execution of this Guaranty); (2) demand of payment by any Noteholder from the Issuer, the Parent Guarantor or any other person indebted in any manner on or for any of the indebtedness, liabilities or obligations hereby guaranteed; and (3) presentment for the payment by any Noteholder or any other person of the Notes or any other instrument, protest thereof and notice of its dishonor to any party thereto and to the Subsidiary Guarantor. The obligations of the Subsidiary Guarantor under this Guaranty and the rights of any Noteholder to enforce such obligations by any proceedings, whether by action at law, suit in equity or otherwise, shall not be subject to any reduction, limitation, impairment or termination, whether by reason of any claim of any character whatsoever or otherwise and shall not be subject to any defense, set-off, counterclaim (other than any compulsory counterclaim), recoupment or termination whatsoever.

(c) The obligations of the Subsidiary Guarantor hereunder shall be binding upon the Subsidiary Guarantor and its successors and assigns, and shall remain in full force and effect irrespective of:

(1) the genuineness, validity, regularity or enforceability of the Notes, the Note Agreements or any other instruments relating thereto or any of the terms of any thereof, the continuance of any obligation on the part of the Issuer, the Parent Guarantor or any other person on the Notes or under the Note Agreements or the power or authority or the lack of power or authority of the Issuer to issue the Notes or execute and deliver the Note Agreements or to perform any of its obligations thereunder or the existence or continuance of the Issuer, the Parent Guarantor or any other person as a legal entity; or

(2) any default, failure or delay, willful or otherwise, in the performance by the Issuer, the Parent Guarantor or any other person of any obligations of any kind or character whatsoever of the Issuer, the Parent Guarantor or any other person (including, without limitation, the obligations and undertakings of the Issuer, the Parent Guarantor or any other person under the Notes or the Note Agreements); or

(3) any creditors' rights, bankruptcy, receivership or other insolvency proceeding of the Issuer, the Parent Guarantor or any other person or in respect of the property of the Issuer, the Parent Guarantor or any other person or any merger, consolidation, reorganization, dissolution, liquidation or winding up of the Issuer, the Parent Guarantor or any other person; or

(4) impossibility or illegality of performance on the part of the Issuer, the Parent Guarantor or any other person of its obligations under the Notes, the Note Agreements or any other instruments; or

-4-

(5) in respect of the Issuer, the Parent Guarantor or any other person, any change of circumstances, whether or not foreseen or foreseeable, whether or not imputable to the Issuer, the Parent Guarantor or any other person, or other impossibility of performance through fire, explosion, accident, labor disturbance, floods, droughts, embargoes, wars (whether or not declared), civil commotions, acts of God or the public enemy, delays or failure of suppliers or carriers, inability to obtain materials, action of any Federal or state regulatory body or agency, change of law or any other causes affecting performance, or any other force majeure, whether or not beyond the control of the Issuer, the Parent Guarantor or any other person and whether or not of the kind hereinbefore specified; or

(6) any attachment, claim, demand, charge, lien, order, process, encumbrance or any other happening or event or reason, similar or dissimilar to the foregoing, or any withholding or diminution at the source, by reason of any taxes, assessments, expenses, indebtedness, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid, incurred by or against any person, or any claims, demands, charges or liens of any nature, foreseen or unforeseen, incurred by any person, or against any sums payable under this Guaranty, so that such sums would be rendered inadequate or would be unavailable to make the payments herein provided; or

(7) any order, judgment, decree, ruling or regulation (whether or not valid) of any court of any nation or of any political subdivision thereof or any body, agency, department, official or administrative or regulatory agency of any thereof or any other action, happening, event or reason whatsoever which shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by any party of its respective obligations under the Notes, the Note Agreements or any instrument relating thereto; or

(8) the failure of the Subsidiary Guarantor to receive any benefit from or as a result of its execution, delivery and performance of this Guaranty; or

(9) any failure or lack of diligence in collection or protection, failure in presentment or demand for payment, protest, notice of protest, notice of default and of nonpayment, any failure to give notice to the Subsidiary Guarantor of failure of the Issuer, the Parent Guarantor or any other person to keep and perform any obligation, covenant or agreement under the terms of the Notes or the Note Agreements or failure to resort for payment to the Issuer, the Parent Guarantor or any other person or to any other guaranty or to any property, security, liens or other rights or remedies; or

(10) the acceptance of any additional security or other guaranty, the advance of additional money to the Issuer, the Parent Guarantor or any other person, the renewal or extension of the Notes or amendments, modifications, consents or waivers with respect to the Notes or the Note Agreements, or the sale, release, substitution or exchange of any security for the Notes; or

- 5-

(11) any defense whatsoever that the Issuer, the Parent Guarantor or any other person might have to the payment of the Notes (principal, premium, if any, or interest), other than payment in cash thereof, or to the performance or observance of any of the provisions of the Note Agreements, whether through the satisfaction or purported satisfaction by the Issuer, the Parent Guarantor or any other person of its debts due to any cause such as bankruptcy, insolvency, receivership, merger, consolidation, reorganization, dissolution, liquidation, winding-up or otherwise; or

(12) any act or failure to act with regard to the Notes, the Note Agreements or anything which might vary the risk of the Subsidiary Guarantor; or

(13) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Subsidiary Guarantor in respect of the obligations of the Subsidiary Guarantor under this Guaranty; provided that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty that the obligations of the Subsidiary Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except by the payment of the principal of, premium, if any, and interest on the Notes in accordance with their respective terms whenever the same shall become due and payable as provided in the Notes, at the place specified in and all in the manner and with the effect provided in the Notes and the Note Agreements, as amended or modified from time to time. Without limiting the foregoing, it is understood that repeated and successive demands may be made and recoveries may be had hereunder as and when, from time to time, the Issuer shall default under the terms of the Notes or the Note Agreements and that notwithstanding recovery hereunder for or in respect of any given default or defaults by the Issuer under the Notes or the Note Agreements, this Guaranty shall remain in full force and effect and shall apply to each and every subsequent default.

(d) All rights of any Noteholder may be transferred or assigned at any time and shall be considered to be transferred or assigned at any time or from time to time upon the transfer of such Note whether with or without the

consent of or notice to the Subsidiary Guarantor under this Guaranty or the Issuer.

(e) To the extent of any payments made under this Guaranty, the Subsidiary Guarantor shall be subrogated to the rights of the Noteholder upon whose Note such payment was made, but the Subsidiary Guarantor covenants and agrees that such right of subrogation shall be subordinate in right of payment to the rights of any Noteholder for which full payment has not been made or provided for and, to that end, the Subsidiary Guarantor agrees not to claim or enforce any such right of subrogation or any right of set-off or any other right which may arise on account of any payment made by the Subsidiary Guarantor in accordance with the provisions of this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of any Noteholder or Noteholders against the Issuer or the Parent Guarantor, whether or

-6-

not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Issuer or the Parent Guarantor directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right unless and until 366 days after all of the Notes and all other sums due and payable under the Note Agreements have been fully paid and discharged. If any amount shall be paid to the Subsidiary Guarantor in violation of the preceding sentence at any time prior to the indefeasible cash payment in full of the Notes and all other amounts payable under the Note Agreements and this Guaranty, such amounts shall be held in trust for the benefit of the Noteholders and shall forthwith be paid to the Noteholders to be credited and applied to the amounts due or to become due with respect to the Notes and all other amounts payable under the Note Agreements and this Guaranty, whether matured or unmatured.

(f) The Subsidiary Guarantor agrees that to the extent the Issuer, the Parent Guarantor or any other person makes any payment on any Note, which payment or any part thereof is subsequently invalidated, voided, declared to be fraudulent or preferential, set aside, recovered, rescinded or is required to be retained by or repaid to a trustee, liquidator, receiver, or any other person under any bankruptcy code, common law, or equitable cause, then and to the extent of such payment, the obligation or the part thereof intended to be satisfied shall be revived and continued in full force and effect with respect to the Subsidiary Guarantor's obligations hereunder, as if said payment had not been made. The liability of the Subsidiary Guarantor hereunder shall not be reduced or discharged, in whole or in part, by any payment to any Noteholder from any source that is thereafter paid, returned or refunded in whole or in part by reason of the assertion of a claim of any kind relating thereto, including, but not limited to, any claim for breach of contract, breach of warranty, preference, illegality, invalidity, or fraud asserted by any account debtor or by any other person.

(g) No Noteholder shall be under any obligation (1) to marshal any assets in favor of the Subsidiary Guarantor or in payment of any or all of the liabilities of the Issuer under or in respect of the Notes or the obligations of the Subsidiary Guarantor hereunder or (2) to pursue any other remedy that the Subsidiary Guarantor may or may not be able to pursue itself and that may lighten the Subsidiary Guarantor's burden or any right to which the Subsidiary Guarantor hereby expressly waives.

(h) The obligations of the Subsidiary Guarantor with respect to the guaranty and all other obligations under this Guaranty of the Subsidiary Guarantor are direct and unsecured obligations of the Subsidiary Guarantor ranking pari passu as against the assets of the Subsidiary Guarantor and pari passu with all other present and future Indebtedness of the Subsidiary Guarantor which is not expressed to be subordinate or junior in rank to any other Indebtedness of the Subsidiary Guarantor (except to the extent that the foregoing is not true by virtue of, and solely by virtue of, Liens expressly permitted by the Note Agreements securing other Indebtedness insofar as such Indebtedness represents a prior claim in respect of the property or assets secured by such permitted Lien).

-7-

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE SUBSIDIARY GUARANTOR.

The Subsidiary Guarantor represents and warrants that the representations and warranties set forth in Exhibit B-3 of the Note Agreements are true and correct with respect to the Subsidiary Guarantor as of the date hereof and are incorporated by reference with the same force and effect as though herein set forth in full.

SECTION 6. SUBSIDIARY GUARANTOR COVENANTS.

Section 6.1. Compliance with Law. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws and ERISA, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental

authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.2. Insurance. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 6.3. Maintenance of Properties. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times; provided that this Section shall not prevent the Subsidiary Guarantor or any subsidiary thereof from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Subsidiary Guarantor has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.4. Payment of Taxes and Claims. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Guaranty or any subsidiary thereof; provided that neither the Subsidiary

-8-

Guarantor nor any subsidiary need pay any such tax or assessment or claims if (a) the amount, applicability or validity thereof is contested by the Guaranty or such subsidiary on a timely basis in good faith and in appropriate proceedings, and the Guaranty or a subsidiary thereof has established adequate reserves therefor in accordance with GAAP on the books of the Guaranty or such subsidiary or (b) the nonpayment of all such taxes, assessments and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 6.5. Corporate Existence, Etc. Subject to Section 5.12 of the Note Agreements, the Subsidiary Guarantor will, and will cause each of its subsidiaries to, at all times preserve and keep in full force and effect its corporate existence and all rights and franchises of the Subsidiary Guarantor and its subsidiaries unless, in the good faith judgment of the Subsidiary Guarantor, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 6.6. Nature of Business. Neither the Subsidiary Guarantor nor any subsidiary thereof will engage in any business if, as a result, the general nature of the business, taken on a consolidated basis, which would then be engaged in by the Subsidiary Guarantor and its subsidiaries would be substantially changed from the general nature of the business engaged in by the Subsidiary Guarantor on the date of this Agreement.

Section 6.7. Guaranty to Rank Pari Passu. The Subsidiary Guarantor will keep and maintain the obligations of the Subsidiary Guarantor with respect to this Guaranty as direct obligations of the Subsidiary Guarantor ranking pari passu as against the assets of the Subsidiary Guarantor with all other present or future Debt of the Subsidiary Guarantor except to the extent such Debt is secured by a Lien permitted under the Note Agreements or such Debt is subordinated to the obligations of this Guaranty.

SECTION 7. SUBMISSION TO JURISDICTION.

Any legal action or proceeding with respect to this Guaranty or any document related thereto may be brought in the courts of the United States of America for the Southern District of New York and, by execution and delivery of this Guaranty, the Subsidiary Guarantor hereby accepts for itself and in respect of its property generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts, and the Subsidiary Guarantor waives any objection which it may have based on improper venue or forum non conveniens to the conduct of any proceeding in any such court and waives personal service of any and all process

upon it, and consents that all such service of process be made by delivery to it at the address set forth in Section 8 or to its agent referred to below at such agent's address set forth below and that service so made shall be deemed to be completed upon actual receipt; provided, that a copy of such service of process shall be delivered to the Subsidiary Guarantor as provided in SS.8 hereof. The Subsidiary Guarantor hereby irrevocably appoints CT Corporation System, with an office at 1633 Broadway, New York, New York 10019 as its agent for the purpose of accepting service of any process within the State of New York. Nothing contained in this Section 7 shall affect the right of any Noteholder to serve legal process in any other manner permitted by law or to bring any action or

-9-

proceeding in the courts of any jurisdiction against the Subsidiary Guarantor or to enforce a judgment obtained in the courts of any other jurisdiction.

SECTION 8. NOTICES.

All communications provided for herein shall be in writing, and (a) if to the Issuer or the Subsidiary Guarantor, delivered or mailed prepaid by registered or certified mail or express commercial air courier, or by facsimile communication (prompt express commercial air courier delivery of hard copy to follow such facsimile communication), or (b) if to any Noteholder, delivered or mailed prepaid by express commercial air courier, or by facsimile communication (prompt express commercial air courier delivery of hard copy to follow such facsimile communication), in any case at the addresses set forth below, or to such other address as such person may designate to the other persons named below by notice given in accordance with this Section:

If to any Noteholder:	To its address for notices appearing in Schedule I to the Note Agreements, as the case may be
If to the Subsidiary Guarantor:	2555 Ellsmere Avenue Norfolk, Virginia 23513 Attention: Chief Financial Officer
If to the Issuer:	2555 Ellsmere Avenue Norfolk, Virginia 23513 Attention: Chief Financial Officer

SECTION 9. AMENDMENTS AND MODIFICATIONS; SOLICITATION OF NOTEHOLDERS.

(a) This Guaranty may only be amended and/or modified by an instrument in writing signed by the Subsidiary Guarantor and by the Noteholder or Noteholders of at least 66-2/3% in aggregate principal amount of the Notes then outstanding; provided, that without the written consent of the Noteholders of all of the Notes then outstanding, no such waiver, modification, alteration or amendment shall be effective which will reduce the scope of the guaranty set forth in this Guaranty or amend the requirements of Sections 2, 3 or 4 hereof or amend this Section 9. No such amendment or modification shall extend to or affect any obligation not expressly amended or modified or impair any right consequent thereon.

(b) The Subsidiary Guarantor agrees that it will not solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions of this Guaranty, the Note Agreements or the Notes unless each Noteholder (irrespective of the amount of Notes then owned by it) shall be

-10-

informed thereof by the Subsidiary Guarantor and shall be afforded the opportunity of considering the same for a period of not less than 30 days and shall be supplied by the Subsidiary Guarantor with a brief statement regarding the reasons for any such proposed waiver or amendment, a copy of the proposed waiver or amendment and such other information regarding such amendment or waiver as any Noteholder shall reasonably request to enable it to make an informed decision with respect thereto. Executed or true and correct copies of any waiver or amendment effected pursuant to the provisions of this Section 9 shall be delivered by the Subsidiary Guarantor to each Noteholder of outstanding Notes within 30 days following the date on which the same shall have been executed and delivered by the holder or holders of the requisite percentage of the outstanding Notes. The Subsidiary Guarantor agrees that it will not, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any Noteholder as consideration for or as an inducement to the entering into by any Noteholder of any waiver or amendment of any of the terms and provisions of this Guaranty, the Note Agreements or the Notes unless such remuneration is concurrently paid, on the same terms, ratably to the Noteholders of all of the Notes then outstanding.

SECTION 10. MISCELLANEOUS.

(a) No remedy herein conferred upon or reserved to any Noteholder is

intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any Noteholder to exercise any remedy reserved to it under the Guaranty, it shall not be necessary for such Noteholder to physically produce its Note in any proceedings instituted by it or to give any notice, other than such notice as may be herein expressly required.

(b) In case any one or more of the provisions contained in this Guaranty shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby.

(c) This Guaranty shall be binding upon the undersigned Subsidiary Guarantor and its respective successors and assigns and shall inure to the benefit of each Noteholder and its successors and assigns so long as its Note remains outstanding and unpaid.

(D) THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH NEW YORK LAW, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

-11-

SECTION 11. INDEMNITY.

To the fullest extent of applicable law, the Subsidiary Guarantor shall indemnify and save each Noteholder harmless from and against any losses which may arise by virtue of any of the obligations hereby guaranteed being or becoming for any reason whatsoever in whole or in part void, voidable, contrary to law, invalid, ineffective or otherwise unenforceable by the Noteholders or any of them in accordance with its terms (all of the foregoing collectively, an "Indemnifiable Circumstance"). For greater certainty, these losses shall include without limitation all obligations hereby guaranteed which would have been payable by the Issuer but for the existence of an Indemnifiable Circumstance; provided, however, that the extent of the Subsidiary Guarantor's aggregate liability under this Section.11 shall not at any time exceed the amount (but for any Indemnifiable Circumstance) otherwise guaranteed pursuant to Section.2.

-12-

IN WITNESS WHEREOF, the Subsidiary Guarantor has caused this Guaranty Agreement to be duly executed by an authorized officer as of the 30th day of April, 1997.

Signatures.

DOLLAR TREE MANAGEMENT, INC.

By: /s/ Macon Brock, Jr.
Title: Chief Executive Officer, President

-13-

GUARANTY AGREEMENT

Dated as of April 15, 1997

By

DOLLAR TREE MANAGEMENT, INC.

Re: \$30,000,000 7.29% Senior Guaranteed Notes

Due April 30, 2004

of

DOLLAR TREE DISTRIBUTION, INC.

TABLE OF CONTENTS
(Not a part of the Agreement)

SECTION	HEADING	PAGE
Parties.....		1
Recitals.....		1
SECTION 1.	DEFINITIONS.....	2
SECTION 2.	GUARANTY OF NOTES AND NOTE AGREEMENTS.....	2
SECTION 3.	GUARANTY OF PAYMENT AND PERFORMANCE.....	2
SECTION 4.	GENERAL PROVISIONS RELATING TO THE GUARANTY.....	3
SECTION 5.	REPRESENTATIONS AND WARRANTIES OF THE SUBSIDIARY GUARANTOR....	8
SECTION 6.	SUBSIDIARY GUARANTOR COVENANTS.....	8
	Section 6.1. Compliance with Law.....	8
	Section 6.2. Insurance.....	8
	Section 6.3. Maintenance of Properties.....	8
	Section 6.4. Payment of Taxes and Claims.....	8
	Section 6.5. Corporate Existence, Etc.....	9
	Section 6.6. Nature of Business.....	9
	Section 6.7. Guaranty to Rank Pari Passu.....	9
SECTION 7.	SUBMISSION TO JURISDICTION.....	9
SECTION 8.	NOTICES.....	10
SECTION 9.	AMENDMENTS AND MODIFICATIONS; SOLICITATION OF NOTEHOLDERS....	10
SECTION 10.	MISCELLANEOUS.....	11
SECTION 11.	INDEMNITY.....	11
Signatures.....		13

-i-

GUARANTY AGREEMENT

Re: \$30,000,000 7.29% Senior Guaranteed Notes,

Due April 30, 2004

of

DOLLAR TREE DISTRIBUTION, INC.

This GUARANTY AGREEMENT (the or this "Guaranty") is dated as of April 15, 1997, by Dollar Tree Management, Inc., a Virginia corporation (the "Subsidiary Guarantor").

RECITALS:

A. Dollar Tree Stores, Inc., a Virginia corporation (the "Parent Guarantor"), is the direct owner of 100% of the issued and outstanding shares of capital stock of the Subsidiary Guarantor.

B. Dollar Tree Distribution, Inc., a Virginia corporation the "Issuer") is a Wholly-owned Subsidiary of the Parent Guarantor.

C. The Parent Guarantor and the Issuer are concurrently entering into separate and several Note Agreements, each dated as of April 15, 1997 (as amended from time to time, collectively, the "Note Agreements") with each of the Purchasers named on Schedule I attached thereto (collectively, the "Purchasers"), pursuant to which the Issuer will issue and sell to the Purchasers \$30,000,000 aggregate principal amount of its 7.29% Senior Guaranteed Notes, due April 30, 2004 (the "Notes"). The Purchasers and each and every other holder from time to time of the Notes are herein collectively referred to as the "Noteholders". Pursuant to Section 6 of the Note Agreements, the obligations of the Issuer will be guaranteed by the Parent Guarantor. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Note Agreements.

D. The Purchasers have required that the Subsidiary Guarantor enter into this Guaranty as security for the Notes and the Subsidiary Guarantor by reason of its interest in the repayment by the Issuer of certain indebtedness incurred and thereby provide the Issuer with funds to repay indebtedness and for other general corporate purposes, has agreed to execute this Guaranty.

NOW, THEREFORE, in consideration of the premises and for the purpose of inducing the purchase and acceptance of the Notes by the Purchasers and in further consideration of the sum of Ten Dollars (\$10.00) paid to the Subsidiary Guarantor by the Purchasers, the receipt whereof is hereby acknowledged, the Subsidiary Guarantor does hereby covenant and agree as follows:

SECTION 1. DEFINITIONS.

Unless the context otherwise requires, capitalized terms used herein shall have the meanings assigned thereto in the Note Agreements and such definitions shall be equally applicable to both the singular and plural forms of any of the terms so defined.

SECTION 2. GUARANTY OF NOTES AND NOTE AGREEMENTS.

(a) Subject to Section 2(B) below, the Subsidiary Guarantor does hereby irrevocably, absolutely and unconditionally guaranty unto the Noteholders (1) the full and prompt payment of the principal of, premium, if any, and interest on the Notes from time to time outstanding, as and when such payments shall become due and payable, whether by lapse of time, upon redemption or prepayment, by extension or by acceleration or declaration or otherwise (including (to the extent legally enforceable) interest due on overdue payments of principal, premium, if any, or interest accrued after the commencement of any proceeding referred to in Section.4(C)(3) hereof at the rate set forth in the Notes) in coin or currency of the United States of America which at the time of payment or demand therefor shall be legal tender for the payment of public and private debts, (2) the full and prompt performance and observance by the Issuer of each and all of the obligations, covenants and agreements required to be performed or owned by the Issuer under the terms of the Notes and the Note Agreements, and (3) the full and prompt payment, upon demand by any Noteholder of all costs and expenses, legal or otherwise (including reasonable attorneys' fees), if any, as shall have been expended or incurred in the protection or enforcement of any right or privilege under the Notes or the Note Agreements or in the protection or enforcement of any rights, privileges or liabilities under this Guaranty or in any consultation or action in connection therewith or herewith.

(b) The obligations of the Subsidiary Guarantor hereunder shall be limited to the lesser of (i) the obligations of the Issuer guaranteed hereunder, or (ii) a maximum aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any applicable provisions of comparable state law (collectively, the "Fraudulent Transfer Laws"), if and to the extent the Subsidiary Guarantor (or a trustee on its behalf) has properly invoked the protections of the Fraudulent Transfer Laws in each case after giving effect to all other liabilities of the Subsidiary Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws.

SECTION 3. GUARANTY OF PAYMENT AND PERFORMANCE.

This is a guaranty of payment and performance and the Subsidiary Guarantor hereby waives, to the fullest extent permitted by law, any right to require that any action on or in respect of any Note or the Note Agreements be brought against the Issuer or that resort be had to any direct or indirect security for the Notes or for this Guaranty or any other remedy. Any Noteholder may, at its option, proceed hereunder against the Subsidiary Guarantor in the first instance to collect monies when due, the payment of which is guaranteed

hereby, without first proceeding against the Issuer, the Parent Guarantor or any other person and without first resorting to any direct or indirect security for the Notes, or for this Guaranty or any other remedy. The liability of the Subsidiary Guarantor hereunder shall in no way be affected or impaired by any

acceptance by any Noteholder of any direct or indirect security for, or other guaranties of, any indebtedness, liability or obligation of the Issuer, the Parent Guarantor or any other person to any Noteholder or by any failure, delay, neglect or omission by the Noteholder to realize upon or protect any such indebtedness, liability or obligation or any notes or other instruments evidencing the same or any direct or indirect security therefor or by any approval, consent, waiver, or other action taken, or omitted to be taken by any such Noteholder.

SECTION 4. GENERAL PROVISIONS RELATING TO THE GUARANTY.

(a) The Subsidiary Guarantor hereby consents and agrees that any Noteholder or Noteholders from time to time, with or without any further notice to or assent from the Subsidiary Guarantor, may, without in any manner affecting the liability of the Subsidiary Guarantor under this Guaranty, upon such terms and conditions as any such Noteholder may deem advisable:

(1) extend in whole or in part (by renewal or otherwise), modify, change, compromise, release or extend the duration of the time for the performance or payment of any indebtedness, liability or obligation of the Issuer, the Parent Guarantor or any other person secondarily or otherwise liable for any indebtedness, liability or obligations of the Issuer on the Notes, or waive any default with respect thereto, or waive, modify, amend or change any provision of any other instruments and this Guaranty; or

(2) sell, release, surrender, modify, impair, exchange or substitute any and all property, of any nature and from whomsoever received, held by, or for the benefit of, any such Noteholder as direct or indirect security for the payment or performance of any indebtedness, liability or obligation of the Issuer, the Parent Guarantor or any other person secondarily or otherwise liable for any indebtedness, liability or obligation of the Issuer on the Notes; or

(3) settle, adjust or compromise any claim of the Issuer against any other person secondarily or otherwise liable for any indebtedness, liability or obligation of the Issuer on the Notes.

The Subsidiary Guarantor hereby ratifies and confirms any such extension, renewal, change, sale, release, waiver, surrender, exchange, modification, amendment, impairment, substitution, settlement, adjustment or compromise and that the same shall be binding upon it, and hereby waives, to the fullest extent permitted by law, any and all defenses, counterclaims or offsets which it might or could have by reason thereof, it being understood that the Subsidiary Guarantor shall at all times be bound by this Guaranty and remain liable hereunder.

-3-

(b) The Subsidiary Guarantor hereby waives, to the fullest extent permitted by law: (1) notice of acceptance of this Guaranty by the Noteholders or of the creation, renewal or accrual of any liability of the Issuer, present or future, or of the reliance of such Noteholders upon this Guaranty (it being understood that every indebtedness, liability and obligation described in Section.1 shall conclusively be presumed to have been created, contracted or incurred in reliance upon the execution of this Guaranty); (2) demand of payment by any Noteholder from the Issuer, the Parent Guarantor or any other person indebted in any manner on or for any of the indebtedness, liabilities or obligations hereby guaranteed; and (3) presentment for the payment by any Noteholder or any other person of the Notes or any other instrument, protest thereof and notice of its dishonor to any party thereto and to the Subsidiary Guarantor. The obligations of the Subsidiary Guarantor under this Guaranty and the rights of any Noteholder to enforce such obligations by any proceedings, whether by action at law, suit in equity or otherwise, shall not be subject to any reduction, limitation, impairment or termination, whether by reason of any claim of any character whatsoever or otherwise and shall not be subject to any defense, set-off, counterclaim (other than any compulsory counterclaim), recoupment or termination whatsoever.

(c) The obligations of the Subsidiary Guarantor hereunder shall be binding upon the Subsidiary Guarantor and its successors and assigns, and shall remain in full force and effect irrespective of:

(1) the genuineness, validity, regularity or enforceability of the Notes, the Note Agreements or any other instruments relating thereto or any of the terms of any thereof, the continuance of any obligation on the part of the Issuer, the Parent Guarantor or any other person on the Notes or under the Note Agreements or the power or authority or the lack of power or authority of the Issuer to issue the Notes or execute and deliver the Note Agreements or to perform any of its obligations thereunder or the existence or continuance of the Issuer, the Parent Guarantor or any other person as a legal entity; or

(2) any default, failure or delay, willful or otherwise, in the performance by the Issuer, the Parent Guarantor or any other person of any obligations of any kind or character whatsoever of the Issuer, the Parent Guarantor or any other person (including, without limitation, the obligations and undertakings of the Issuer, the Parent Guarantor or any other person under the Notes or the Note Agreements); or

(3) any creditors' rights, bankruptcy, receivership or other insolvency proceeding of the Issuer, the Parent Guarantor or any other person or in respect of the property of the Issuer, the Parent Guarantor or any other person or any merger, consolidation, reorganization, dissolution, liquidation or winding up of the Issuer, the Parent Guarantor or any other person; or

(4) impossibility or illegality of performance on the part of the Issuer, the Parent Guarantor or any other person of its obligations under the Notes, the Note Agreements or any other instruments; or

-4-

(5) in respect of the Issuer, the Parent Guarantor or any other person, any change of circumstances, whether or not foreseen or foreseeable, whether or not imputable to the Issuer, the Parent Guarantor or any other person, or other impossibility of performance through fire, explosion, accident, labor disturbance, floods, droughts, embargoes, wars (whether or not declared), civil commotions, acts of God or the public enemy, delays or failure of suppliers or carriers, inability to obtain materials, action of any Federal or state regulatory body or agency, change of law or any other causes affecting performance, or any other force majeure, whether or not beyond the control of the Issuer, the Parent Guarantor or any other person and whether or not of the kind hereinbefore specified; or

(6) any attachment, claim, demand, charge, lien, order, process, encumbrance or any other happening or event or reason, similar or dissimilar to the foregoing, or any withholding or diminution at the source, by reason of any taxes, assessments, expenses, indebtedness, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid, incurred by or against any person, or any claims, demands, charges or liens of any nature, foreseen or unforeseen, incurred by any person, or against any sums payable under this Guaranty, so that such sums would be rendered inadequate or would be unavailable to make the payments herein provided; or

(7) any order, judgment, decree, ruling or regulation (whether or not valid) of any court of any nation or of any political subdivision thereof or any body, agency, department, official or administrative or regulatory agency of any thereof or any other action, happening, event or reason whatsoever which shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by any party of its respective obligations under the Notes, the Note Agreements or any instrument relating thereto; or

(8) the failure of the Subsidiary Guarantor to receive any benefit from or as a result of its execution, delivery and performance of this Guaranty; or

(9) any failure or lack of diligence in collection or protection, failure in presentment or demand for payment, protest, notice of protest, notice of default and of nonpayment, any failure to give notice to the Subsidiary Guarantor of failure of the Issuer, the Parent Guarantor or any other person to keep and perform any obligation, covenant or agreement under the terms of the Notes or the Note Agreements or failure to resort for payment to the Issuer, the Parent Guarantor or any other person or to any other guaranty or to any property, security, liens or other rights or remedies; or

(10) the acceptance of any additional security or other guaranty, the advance of additional money to the Issuer, the Parent Guarantor or any other person, the renewal or extension of the Notes or amendments, modifications, consents or waivers with respect to the Notes or the Note Agreements, or the sale, release, substitution or exchange of any security for the Notes; or

- 5-

(11) any defense whatsoever that the Issuer, the Parent Guarantor or any other person might have to the payment of the Notes (principal, premium, if any, or interest), other than payment in cash thereof, or to the performance or observance of any of the provisions of the Note Agreements, whether through the satisfaction or purported satisfaction by the Issuer, the Parent Guarantor or any other person of its debts due to any cause such as bankruptcy, insolvency, receivership, merger, consolidation, reorganization, dissolution, liquidation, winding-up or otherwise; or

(12) any act or failure to act with regard to the Notes, the Note Agreements or anything which might vary the risk of the Subsidiary Guarantor; or

(13) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Subsidiary Guarantor in respect of the obligations of the Subsidiary Guarantor under this Guaranty; provided that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty that the obligations of the Subsidiary Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except by the payment of the principal of, premium, if any, and interest on the Notes in accordance with their respective terms whenever the same shall become due and payable as provided in the Notes, at the place specified in and all in the manner and with the effect provided in the Notes and the Note Agreements, as amended or modified from time to time. Without limiting the foregoing, it is understood that repeated and successive demands may be made and recoveries may be had hereunder as and when, from time to time, the Issuer shall default under the terms of the Notes or the Note Agreements and that notwithstanding recovery hereunder for or in respect of any given default or defaults by the Issuer under the Notes or the Note Agreements, this Guaranty shall remain in full force and effect and shall apply to each and every subsequent default.

(d) All rights of any Noteholder may be transferred or assigned at any time and shall be considered to be transferred or assigned at any time or from time to time upon the transfer of such Note whether with or without the

consent of or notice to the Subsidiary Guarantor under this Guaranty or the Issuer.

(e) To the extent of any payments made under this Guaranty, the Subsidiary Guarantor shall be subrogated to the rights of the Noteholder upon whose Note such payment was made, but the Subsidiary Guarantor covenants and agrees that such right of subrogation shall be subordinate in right of payment to the rights of any Noteholder for which full payment has not been made or provided for and, to that end, the Subsidiary Guarantor agrees not to claim or enforce any such right of subrogation or any right of set-off or any other right which may arise on account of any payment made by the Subsidiary Guarantor in accordance with the provisions of this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of any Noteholder or Noteholders against the Issuer or the Parent Guarantor, whether or

-6-

not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Issuer or the Parent Guarantor directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right unless and until 366 days after all of the Notes and all other sums due and payable under the Note Agreements have been fully paid and discharged. If any amount shall be paid to the Subsidiary Guarantor in violation of the preceding sentence at any time prior to the indefeasible cash payment in full of the Notes and all other amounts payable under the Note Agreements and this Guaranty, such amounts shall be held in trust for the benefit of the Noteholders and shall forthwith be paid to the Noteholders to be credited and applied to the amounts due or to become due with respect to the Notes and all other amounts payable under the Note Agreements and this Guaranty, whether matured or unmatured.

(f) The Subsidiary Guarantor agrees that to the extent the Issuer, the Parent Guarantor or any other person makes any payment on any Note, which payment or any part thereof is subsequently invalidated, voided, declared to be fraudulent or preferential, set aside, recovered, rescinded or is required to be retained by or repaid to a trustee, liquidator, receiver, or any other person under any bankruptcy code, common law, or equitable cause, then and to the extent of such payment, the obligation or the part thereof intended to be satisfied shall be revived and continued in full force and effect with respect to the Subsidiary Guarantor's obligations hereunder, as if said payment had not been made. The liability of the Subsidiary Guarantor hereunder shall not be reduced or discharged, in whole or in part, by any payment to any Noteholder from any source that is thereafter paid, returned or refunded in whole or in part by reason of the assertion of a claim of any kind relating thereto, including, but not limited to, any claim for breach of contract, breach of warranty, preference, illegality, invalidity, or fraud asserted by any account debtor or by any other person.

(g) No Noteholder shall be under any obligation (1) to marshal any assets in favor of the Subsidiary Guarantor or in payment of any or all of the liabilities of the Issuer under or in respect of the Notes or the obligations of the Subsidiary Guarantor hereunder or (2) to pursue any other remedy that the Subsidiary Guarantor may or may not be able to pursue itself and that may lighten the Subsidiary Guarantor's burden or any right to which the Subsidiary Guarantor hereby expressly waives.

(h) The obligations of the Subsidiary Guarantor with respect to the guaranty and all other obligations under this Guaranty of the Subsidiary Guarantor are direct and unsecured obligations of the Subsidiary Guarantor ranking pari passu as against the assets of the Subsidiary Guarantor and pari passu with all other present and future Indebtedness of the Subsidiary Guarantor which is not expressed to be subordinate or junior in rank to any other Indebtedness of the Subsidiary Guarantor (except to the extent that the foregoing is not true by virtue of, and solely by virtue of, Liens expressly permitted by the Note Agreements securing other Indebtedness insofar as such Indebtedness represents a prior claim in respect of the property or assets secured by such permitted Lien).

-7-

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE SUBSIDIARY GUARANTOR.

The Subsidiary Guarantor represents and warrants that the representations and warranties set forth in Exhibit B-3 of the Note Agreements are true and correct with respect to the Subsidiary Guarantor as of the date hereof and are incorporated by reference with the same force and effect as though herein set forth in full.

SECTION 6. SUBSIDIARY GUARANTOR COVENANTS.

Section 6.1. Compliance with Law. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws and ERISA, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental

authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.2. Insurance. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 6.3. Maintenance of Properties. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times; provided that this Section shall not prevent the Subsidiary Guarantor or any subsidiary thereof from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Subsidiary Guarantor has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.4. Payment of Taxes and Claims. The Subsidiary Guarantor will, and will cause each of its subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Guaranty or any subsidiary thereof; provided that neither the Subsidiary

-8-

Guarantor nor any subsidiary need pay any such tax or assessment or claims if (a) the amount, applicability or validity thereof is contested by the Guaranty or such subsidiary on a timely basis in good faith and in appropriate proceedings, and the Guaranty or a subsidiary thereof has established adequate reserves therefor in accordance with GAAP on the books of the Guaranty or such subsidiary or (b) the nonpayment of all such taxes, assessments and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 6.5. Corporate Existence, Etc. Subject to Section 5.12 of the Note Agreements, the Subsidiary Guarantor will, and will cause each of its subsidiaries to, at all times preserve and keep in full force and effect its corporate existence and all rights and franchises of the Subsidiary Guarantor and its subsidiaries unless, in the good faith judgment of the Subsidiary Guarantor, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 6.6. Nature of Business. Neither the Subsidiary Guarantor nor any subsidiary thereof will engage in any business if, as a result, the general nature of the business, taken on a consolidated basis, which would then be engaged in by the Subsidiary Guarantor and its subsidiaries would be substantially changed from the general nature of the business engaged in by the Subsidiary Guarantor on the date of this Agreement.

Section 6.7. Guaranty to Rank Pari Passu. The Subsidiary Guarantor will keep and maintain the obligations of the Subsidiary Guarantor with respect to this Guaranty as direct obligations of the Subsidiary Guarantor ranking pari passu as against the assets of the Subsidiary Guarantor with all other present or future Debt of the Subsidiary Guarantor except to the extent such Debt is secured by a Lien permitted under the Note Agreements or such Debt is subordinated to the obligations of this Guaranty.

SECTION 7. SUBMISSION TO JURISDICTION.

Any legal action or proceeding with respect to this Guaranty or any document related thereto may be brought in the courts of the United States of America for the Southern District of New York and, by execution and delivery of this Guaranty, the Subsidiary Guarantor hereby accepts for itself and in respect of its property generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts, and the Subsidiary Guarantor waives any objection which it may have based on improper venue or forum non conveniens to the conduct of any proceeding in any such court and waives personal service of any and all process

upon it, and consents that all such service of process be made by delivery to it at the address set forth in Section 8 or to its agent referred to below at such agent's address set forth below and that service so made shall be deemed to be completed upon actual receipt; provided, that a copy of such service of process shall be delivered to the Subsidiary Guarantor as provided in SS.8 hereof. The Subsidiary Guarantor hereby irrevocably appoints CT Corporation System, with an office at 1633 Broadway, New York, New York 10019 as its agent for the purpose of accepting service of any process within the State of New York. Nothing contained in this Section 7 shall affect the right of any Noteholder to serve legal process in any other manner permitted by law or to bring any action or

-9-

proceeding in the courts of any jurisdiction against the Subsidiary Guarantor or to enforce a judgment obtained in the courts of any other jurisdiction.

SECTION 8. NOTICES.

All communications provided for herein shall be in writing, and (a) if to the Issuer or the Subsidiary Guarantor, delivered or mailed prepaid by registered or certified mail or express commercial air courier, or by facsimile communication (prompt express commercial air courier delivery of hard copy to follow such facsimile communication), or (b) if to any Noteholder, delivered or mailed prepaid by express commercial air courier, or by facsimile communication (prompt express commercial air courier delivery of hard copy to follow such facsimile communication), in any case at the addresses set forth below, or to such other address as such person may designate to the other persons named below by notice given in accordance with this Section:

If to any Noteholder:	To its address for notices appearing in Schedule I to the Note Agreements, as the case may be
If to the Subsidiary Guarantor:	2555 Ellsmere Avenue Norfolk, Virginia 23513 Attention: Chief Financial Officer
If to the Issuer:	2555 Ellsmere Avenue Norfolk, Virginia 23513 Attention: Chief Financial Officer

SECTION 9. AMENDMENTS AND MODIFICATIONS; SOLICITATION OF NOTEHOLDERS.

(a) This Guaranty may only be amended and/or modified by an instrument in writing signed by the Subsidiary Guarantor and by the Noteholder or Noteholders of at least 66-2/3% in aggregate principal amount of the Notes then outstanding; provided, that without the written consent of the Noteholders of all of the Notes then outstanding, no such waiver, modification, alteration or amendment shall be effective which will reduce the scope of the guaranty set forth in this Guaranty or amend the requirements of Sections 2, 3 or 4 hereof or amend this Section 9. No such amendment or modification shall extend to or affect any obligation not expressly amended or modified or impair any right consequent thereon.

(b) The Subsidiary Guarantor agrees that it will not solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions of this Guaranty, the Note Agreements or the Notes unless each Noteholder (irrespective of the amount of Notes then owned by it) shall be

-10-

informed thereof by the Subsidiary Guarantor and shall be afforded the opportunity of considering the same for a period of not less than 30 days and shall be supplied by the Subsidiary Guarantor with a brief statement regarding the reasons for any such proposed waiver or amendment, a copy of the proposed waiver or amendment and such other information regarding such amendment or waiver as any Noteholder shall reasonably request to enable it to make an informed decision with respect thereto. Executed or true and correct copies of any waiver or amendment effected pursuant to the provisions of this Section 9 shall be delivered by the Subsidiary Guarantor to each Noteholder of outstanding Notes within 30 days following the date on which the same shall have been executed and delivered by the holder or holders of the requisite percentage of the outstanding Notes. The Subsidiary Guarantor agrees that it will not, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any Noteholder as consideration for or as an inducement to the entering into by any Noteholder of any waiver or amendment of any of the terms and provisions of this Guaranty, the Note Agreements or the Notes unless such remuneration is concurrently paid, on the same terms, ratably to the Noteholders of all of the Notes then outstanding.

SECTION 10. MISCELLANEOUS.

(a) No remedy herein conferred upon or reserved to any Noteholder is

intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any Noteholder to exercise any remedy reserved to it under the Guaranty, it shall not be necessary for such Noteholder to physically produce its Note in any proceedings instituted by it or to give any notice, other than such notice as may be herein expressly required.

(b) In case any one or more of the provisions contained in this Guaranty shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby.

(c) This Guaranty shall be binding upon the undersigned Subsidiary Guarantor and its respective successors and assigns and shall inure to the benefit of each Noteholder and its successors and assigns so long as its Note remains outstanding and unpaid.

(D) THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH NEW YORK LAW, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

-11-

SECTION 11. INDEMNITY.

To the fullest extent of applicable law, the Subsidiary Guarantor shall indemnify and save each Noteholder harmless from and against any losses which may arise by virtue of any of the obligations hereby guaranteed being or becoming for any reason whatsoever in whole or in part void, voidable, contrary to law, invalid, ineffective or otherwise unenforceable by the Noteholders or any of them in accordance with its terms (all of the foregoing collectively, an "Indemnifiable Circumstance"). For greater certainty, these losses shall include without limitation all obligations hereby guaranteed which would have been payable by the Issuer but for the existence of an Indemnifiable Circumstance; provided, however, that the extent of the Subsidiary Guarantor's aggregate liability under this Section.11 shall not at any time exceed the amount (but for any Indemnifiable Circumstance) otherwise guaranteed pursuant to Section.2.

-12-

IN WITNESS WHEREOF, the Subsidiary Guarantor has caused this Guaranty Agreement to be duly executed by an authorized officer as of the 30th day of April, 1997.

Signatures.

DOLLAR TREE MANAGEMENT, INC.

By: /s/ Macon Brock, Jr.
Title: Chief Executive Officer, President

-13-