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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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SCHEDULE 13E-3

Rule 13e-3 Transaction Statement  
(Pursuant to Section 13(e) of the Securities Exchange  
Act of 1934)

(Amendment No. 1)

TUESDAY MORNING CORPORATION

(Name of Issuer)

MADISON DEARBORN PARTNERS II, L.P.

MADISON DEARBORN CAPITAL PARTNERS II, L.P.

MADISON DEARBORN PARTNERS, INC.

MR. LLOYD L. ROSS

MR. JERRY M. SMITH

(Name of Persons Filing Statement)

COMMON STOCK, \$.01 PAR VALUE

(Title of Class of Securities)

89903710

(CUSIP Number of Class of Securities)

Jerry M. Smith  
President  
Tuesday Morning Corporation  
14621 Inwood Rd.  
Dallas, Texas 75244  
(972) 387-3562

Benjamin D. Chereskin  
Vice President  
Madison Dearborn Partners II, L.P.  
Madison Dearborn Capital Partners II, L.P.  
Madison Dearborn Partners, Inc.  
Three First National Plaza  
Chicago, Illinois 60602  
(312) 732-5115

Lloyd L. Ross  
Chief Executive officer  
Tuesday Morning Corporation  
14621 Inwood Rd.  
Dallas, Texas 75244  
(972) 387-3562

-----

(Name, Address and Telephone Number of Persons Authorized to Receive  
Notices and Communications on Behalf of Persons Filing Statement)  
Copies to:

Bruce Hallet, Esq.  
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200 East Randolph Drive  
Chicago, Illinois 60601  
(312) 861-2000

This statement is filed in connection with (check the appropriate box):

- a.  The filing of solicitation materials or an information statement  
subject to Regulation 14A, Regulation 14C or Rule 13e-3(c) under the  
Securities Exchange Act of 1934.
- b.  The filing of registration statement under the Securities Act of 1933.
- c.  A tender offer.
- d.  None of the above.

Check the following box if the soliciting materials or information statement  
referred to in checking box (a) are preliminary copies:

CALCULATION OF FILING FEE

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Transaction Valuation\*  
-----  
\$314,417,070

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Amount of Filing Fee  
-----  
\$62,883

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\*The transaction valuation has been calculated by multiplying \$23.88, the average of the high and low sale price for shares of Common Stock on September 19, 1997 on the Nasdaq National Market, by 13,166,544, the number of shares of Common Stock estimated to be outstanding at the time of the transaction (includes 1,248,863 underlying options to purchase shares of Common Stock).

[X] Check box if any part of the fee is offset as provided by Rule 0-11(a) (2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:	\$62,883
Form or Registration No.:	Schedule 14A
Filing Party:	Tuesday Morning Corporation
Date Filed:	September 24, 1997

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AMENDMENT NO. 1 TO SCHEDULE 13E-3

This amendment to Rule 13E-3 Transaction Statement (this "Amendment") relates to the solicitation of proxies by Tuesday Morning Corporation, a Delaware corporation ("Issuer"), in connection with a Special Meeting of Issuer's stockholders at which such stockholders will be asked to consider the approval of, among other things, an Agreement and Plan of Merger (the "Merger Agreement"), dated as of September 12, 1997, by and among Madison Dearborn Partners II, L.P., a Delaware limited partnership ("Madison Dearborn"), Tuesday Morning Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Madison Dearborn ("Merger Subsidiary").

A previous statement on Schedule 13E-3 was filed on November 3, 1997. This Amendment is being filed for the sole purpose of filing by amendment Exhibit (b) (2), Report of SBC Warburg Dillon Read Inc., to the previous statement.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

November 10, 1997

\_\_\_\_\_  
(Date)

MADISON DEARBORN CAPITAL PARTNERS II, L.P.  
By: Madison Dearborn Partners II, L.P.  
Its: General Partner  
By: Madison Dearborn Partners, Inc.  
Its: General Partner

By: /s/ Benjamin D. Chereskin  
-----  
Name: Benjamin D. Chereskin  
Title: Vice President

MADISON DEARBORN PARTNERS II, L.P.  
By: Madison Dearborn Partners, Inc.  
Its: General Partner

By: /s/ Benjamin D. Chereskin  
-----  
Name: Benjamin D. Chereskin  
Title: Vice President

MADISON DEARBORN PARTNERS, INC

By: /s/ Benjamin D. Chereskin

-----

Name: Benjamin D. Chereskin

Title: Vice President

/s/ Lloyd L. Ross

-----

Lloyd L. Ross

/s/ Jerry M. Smith

-----

Jerry M. Smith

Tuesday Morning

GIFTS. 50% TO 80% OFF EVERYTHING.

Presentation To the Board of Directors

SBC Warburg Dillon Read

September 12, 1997

Tuesday Morning Corporation

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Tuesday Morning Corporation

Presentation to the Board of Directors

Review of Proposed Transaction..... A

    Overview of Sale Process.....A-1

Tuesday Morning Corporation / A-1-1

Overview of Sale Process

. In November of 1996 Tuesday Morning retained SBC Warburg Dillon Read Inc. ("SBCWDR") and Hatchett Capital Group ("Hatchett") as financial advisors to review strategic and financial alternatives for the Company.

. The review of strategic and financial alternatives was motivated by Lloyd

Ross', Chairman and CEO, and Jerry Smith's, President and COO, desire to retire and liquify their shareholdings.

- . Beginning in March 1997, SBCWDR contacted a total of 26 potential partners and/or acquirors including 19 corporate buyers and 7 financial buyers.

- Potential corporate buyers included close-out retailers, other discount retailers, department store retailers and other specialty retailers.

- . The Company distributed information memoranda to 10 potential acquirors (5 corporate buyers and 5 financial buyers) who expressed initial interest in exploring a possible purchase of Tuesday Morning.

[ART] SBC Warburg Dillon Read

Tuesday Morning Corporation / A - 1 - 2

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Overview of Sale Process

- . After discussions with this group of potential acquirers, only one party, Madison Dearborn Partners, Inc., ("Madison Dearborn") demonstrated ongoing interest in acquiring the Company.
- . In June 1997, the Company provided selected additional financial information to Madison Dearborn to assist them in developing a financial analysis of Tuesday Morning.
- . On July 15 and July 16, 1997, representatives of Madison Dearborn visited the Company to meet with management and tour the facilities.

[ART] SBC Warburg Dillon Read

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Tuesday Morning Corporation / A - 1 - 3

- . On July 18, 1997, Madison Dearborn made a preliminary proposal to acquire the Company for \$23.00 per share.
- . Pursuant to further negotiations Madison Dearborn increased its offer to \$24.00 per share on July 23, 1997.
- . Pursuant to further negotiations, Madison Dearborn increased its offer to \$25.00 per share on August 1, 1997 and indicated it was its final and best offer.
- . On August 14, 1997, Tuesday Morning publicly announced a preliminary agreement with Madison Dearborn.
  - Since the announcement, neither the Company nor any of its advisors have been contacted by any other party expressing an interest in acquiring the Company.

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Tuesday Morning Corporation / A-1-4

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Overview of Madison Dearborn

- . Madison Dearborn Partners, Inc. is one of the largest management buyout and special equity investment firms in the United States. Founded in 1993, Madison Dearborn has raised approximately \$1.5 billion in two investment funds. Previously, from 1980 to 1992, the principals of Madison Dearborn managed the \$2 billion buyout fund of First Chicago Corporation.
- . Madison Dearborn's funds have come from a variety of investors including endowments, public and private pension funds, and financial institutions.
- . Since 1980, Madison Dearborn's principals have invested over \$1 billion in more than 100 middle market transactions. Representative past and

current consumer and retail oriented portfolio companies include:

- Beverages & More, Inc.
- Intercontinental Art, Inc.
- Consolidated Stores Corporation
- Sterling Merchandise Company
- Cornerstone Investment Group, Inc.
- The Sports Authority, Inc.

[ART] SBC Warburg Dillon Read

Tuesday Morning Corporation

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Presentation to the Board of Directors

Review of Proposed Transaction.....A

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Tuesday Morning Corporation / A - 2 - 1

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SUMMARY

Acquiring Entity:	Newco (a corporation owned by Madison Dearborn Partners, Inc.)
Price per Common Share:	\$25.00
Percent of Shares to be Acquired:	100%
Consideration:	Cash
Offer for Equity/1/:	\$324.6 million

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Note 1: Net of proceeds from exercise of options.

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Tuesday Morning Corporation / A - 2 - 2

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Acquisition Multiples

[\_] Based on a purchase price of \$25.00 per share, Madison Dearborn would pay the following acquisition multiples.

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Valuation (in millions, except per share data)	
Offer price per share	\$25.00
Common shares outstanding	11.926
Options/1/	1.056
Total shares outstanding	12.983
Offer for Equity:	\$324.6

Plus: Debt assumed/2/	4.0
Less: Cash/2/	(3.4)
	-----
Offer for Net Assets:	\$325.2

Note 1: Modified treasury stock method. Average option exercise price of \$3.97 per share.

Note 2: Company projections as of 9/5/97.

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Implied Acquisition Multiples  
(in millions, except per share data)

	LTM 6/30/97	FY1997E/3/
	-----	-----
Net Sales	\$281.6	\$320.9
EBITDA/1/	30.3	39.7
EBIT/2/	25.3	35.7
Earnings per Share	\$1.13	\$1.34
Book Value	78.3	95.9
Net Asset Value to:		
Net Sales	1.2x	1.0x
EBITDA/1/	10.7	8.2
EBIT/2/	12.9	9.1
Equity Value to:		
Earnings per Share	22.3x	18.7x
Book Value	4.1	3.4
Acquisition premium over unaffected stock price of \$20.375 on 8/13/97		22.7%

Note 1: EBITDA equals earnings before interest, taxes, depreciation and amortization.

Note 2: EBIT equals earnings before interest and taxes.

Note 3: Company projections as of 9/5/97.

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Tuesday Morning Corporation

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Tuesday Morning Corporation / A - 3 - 1

The proposed financing structure to be used in the buyout is outlined below.

Source of Funds (In millions)			
	Amount	Interest Rate %	% of Total
	-----	-----	-----
New Revolver Borrowings	\$ 13.5	8.25%	4.0%
Senior Unsecured Debt A	46.0	8.25	13.5%
Senior Unsecured Debt B	60.0	9.00	17.6
Subordinated Debt	100.0	10.75	29.4
Sponsor Equity	115.0	--	33.8
Due from Officer/1/	2.7	--	0.8
Excess Cash On Hand	3.4	--	0.0
	-----		-----
Total Sources	\$340.6		100.0%

Note 1: Unsecured loan due from officer.

Uses of Funds (In millions)	
Purchase of Equity	\$324.6
Debt Refinanced	0.0
Fees and Expenses	16.0
	-----
Total Uses	\$340.6
	=====
Warrants	0.0%
Management Carry	10.0%

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Tuesday Morning Corporation / A - 3 - 2

FEASIBILITY ANALYSIS

Pro forma credit statistics under this financing structure follow.

Credit Statistics/1,2/	Projections			
	Pro Forma 1997	1998	1999	2000
EBIT / Total Interest/3/	1.5x	1.8x	2.2x	2.6x
EBITDA / Total Interest	1.7	2.0	2.4	2.8
EBITDA-CapEx / Total Interest	1.5	1.8	2.2	2.5
Senior Debt / EBITDA	3.3x	2.7x	2.1x	1.7x
Total Debt / EBITDA	5.9	4.9	4.0	3.3
Total Debt / Total Capitalization	67.1%	65.5%	62.5%	58.3%



Total Equity / Total Capitalization      32.9%      34.5%      37.5%      41.7%

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Note 1: Company projections as of 9/5/97.  
 Note 2: Calculated using estimated annual average revolver balances.  
 Note 3: EBIT expressed before goodwill amortization.

[LOGO of SBC Warburg Dillon Read]

Tuesday Morning Corporation / A - 3 - 3

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Equity Return Analysis

Assuming the successful execution of Tuesday Morning's business plan, equity investors in the Company sponsored by Madison Dearborn can expect returns of approximately 30% in 5 years.

	Multiple of FY2002E EBITDA		
	7.0x	8.0x	9.0x
FY 2002E EBITDA	\$77.4	\$77.4	\$77.4
Total Enterprise Value	541.5	618.8	696.2
Less: Net Debt	(139.5)	(139.5)	(139.5)
Net Value to Equity Investors	\$402.0	\$479.3	\$556.7
Equity Rate of Return in 2002	25.8%	30.3%	34.2%

Note 1: Company projections as of 9/5/97.

[LOGO] SBC Warburg Dillon Read

Tuesday Morning Corporation

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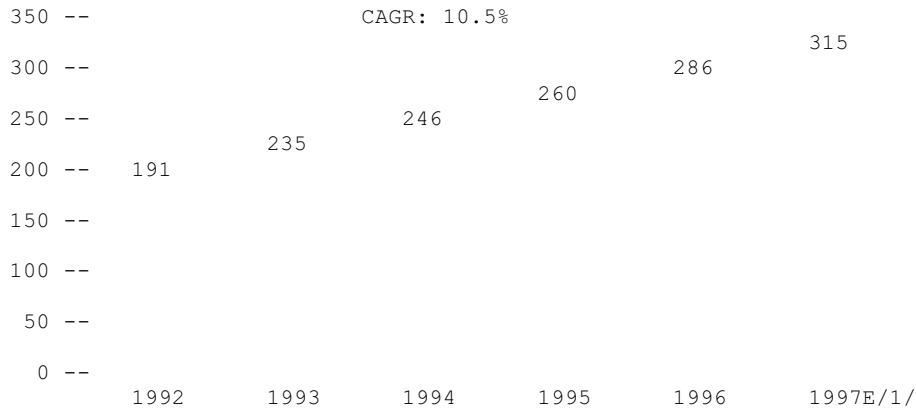
Tuesday Morning Corporation/B-1-1  
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Overview of Historical Financial Performance

. Tuesday Morning has grown dramatically over the past five years nearly doubling the total number of retail stores.

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Stores Operated at Year End



Note 1: Company projections as of 9/5/97.

	1992	1993	1994	1995	1996	1997E/1/
Net New Stores	41	44	11	14	26	29
% Change	27.3%	23.0%	4.7%	5.7%	10.0%	10.1%

[LOGO] SBC Warburg Dillon Read

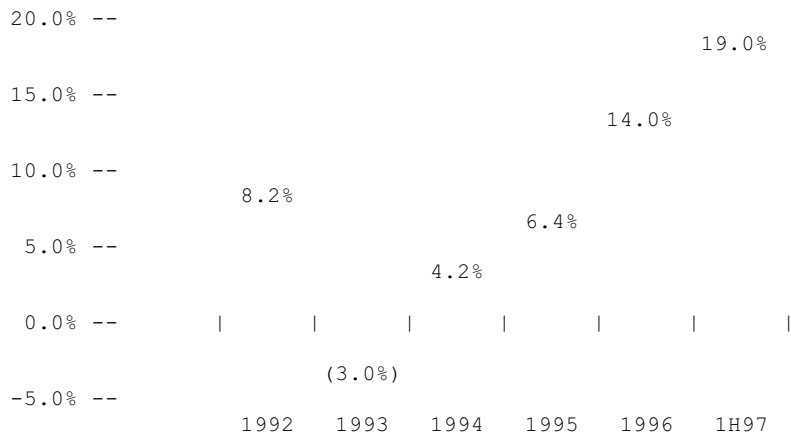
Tuesday Morning Corporation/B-1-2

Overview of Historical Financial Performance

. Since 1993, comparable-store sales growth has improved significantly.

Comparable-Store Sales Growth/1/

Average: 6.0%

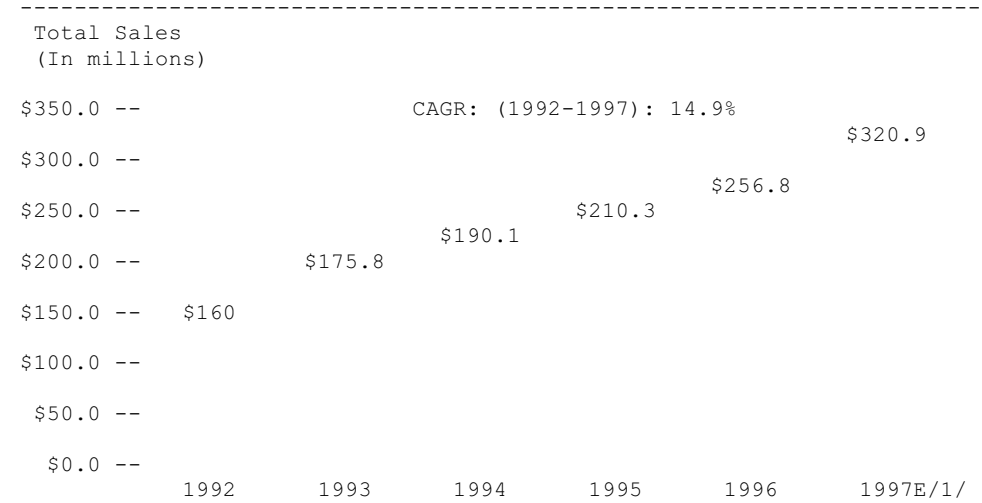


Note 1: Company reports.

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Overview of Historical Financial Performance

[\_] As a result of these factors net sales has grown from \$160.0 million in 1992 to \$320.9 million projected for 1997.



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Note 1: Company projections as of 9/5/97.

% Growth	29.8%	9.8%	8.1%	10.6%	22.1%	23.1%
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OVERVIEW OF HISTORICAL FINANCIAL PERFORMANCE

[\_] Profitability has recovered significantly since 1993, 1997 is expected to be the third year in a row of record financial performance.

(DESCRIPTION OF GROSS PROFIT AND MARGIN BAR CHART)

Gross Profit and Margin/1/  
(dollars in millions)

CAGR: 15.5%

1992.....	\$ 55.5
1993.....	\$ 52.6
1994.....	\$ 63.2
1995.....	\$ 72.8
1996.....	\$ 91.6
1997E/2/.....	\$114.0

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Note 1: Adjusted for UNICAP cost allocation method.  
Note 2: Company projections as of 9/5/97.

Scales: \$ - to \$120  
28.0% to 36.0%

(DESCRIPTION OF EBIT AND MARGIN BAR CHART)

-----  
EBIT and Margin  
(dollars in millions)

CAGR: 27.6%

1992.....	\$10.2
1993.....	\$(1.2)
1994.....	\$ 6.3
1995.....	\$10.4
1996.....	\$21.0
1997E.....	\$35.7

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Note 1: Company projections as of 9/5/97.

Scales: \$(5.0) - to \$35.0  
-2.0% to 12.0%

(LOGO OF SBC WARBURG DILLON READ)

Tuesday Morning Corporation/B-1-5

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Overview of Historical Financial Performance

. Margins and profitability were negatively impacted in 1993 primarily by aggressive expansion, poor buying decisions and ineffective inventory management.

-- Difficulties were heightened due to Lloyd Ross' decision to reduce his involvement in the business starting in 1992.

. As a result of the difficulties, Lloyd Ross reassumed more active involvement in the Company in 1994, Jerry Smith became President and many initiatives were begun to address the Company's weaknesses.

-- Buying practices were changed and certain other senior management changes were effected.

-- Projects to automate and reengineer warehouse processing and to upgrade point-of-sale information systems were begun.

-- Electronic article surveillance equipment installations were initiated.

-- Real estate and store operations management moderated the rate of store growth from 44 in 1993 to 11 in 1994.

-- Buying staff was increased markedly to broaden the product mix and maintain the limited quantities of merchandise required for successful events.

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Tuesday Morning Corporation / B - 1 - 6

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Overview of Historical Financial Performance

. Since 1993, the Company's financial performance has improved considerably, resulting from:

-- Better, more accurate pricing and fewer markdowns due to point-of-sale information systems.

-- More attractive product mix driven by a more focused and experienced staff of 22 buyers.

-- Substantial operating leverage in warehouse processing and

distribution.

- Comparable-store sales growth of 14% in 1996, and 19% year-to-date 1997, in part, through execution of the "wave" concept of shipping new merchandise to stores.
- Ongoing opportunities to locate new stores in attractive market areas.

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Tuesday Morning Corporation / B-1-7

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 Comparable Company Financial Analysis

- . Compared to the Company's peers, Tuesday Morning's historical financial performance is generally in line with the industry averages.
- However, as a result of the Company's turnaround, earnings growth is substantially above the industry.

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 Operating Statistics - Close-Out Retail Companies  
 (dollars in millions)

	LTM Sales	3 Year CAGR		Gross Margin		EDITDA Margin		Operating Margin	
		Sales	Operating Income	LTM	3 Year Average	LTM	3 Year Average	LTM	3 Year Average
TJX Companies	\$6,777	48.0%	55.2%	22.8%	21.9%	8.3%	7.2%	6.4%	5.2%
Consolidated Stores	2,920	49.5	39.2	41.4	42.2	8.0	10.2	6.1	8.1
Ross Stores	1,762	15.7	57.1	29.6	28.0	10.2	7.7	8.5	5.8
MacFrugal's Bargains - CloseOuts	797	6.4	(0.7)	43.0	44.0	11.3	10.6	9.1	8.2
Mazel Stores	181	53.6	55.6	33.5	29.5	7.9	8.1	7.5	7.5
----- Median	\$1,762	48.0%	55.2%	33.5%	29.5%	8.3%	8.1%	7.5%	7.5%
----- Tuesday Morning	\$ 282	16.2%	90.4%	35.8%	34.5%	10.5%	7.2%	8.4%	5.2%
----- Rank	5/6	4/6	1/6	3/6	3/6	2/6	5/6	3/6	5/6

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 Earnings Estimates/1/

	Growth 1998/1997	5-Year Growth
	TJX Companies	25.5%
Consolidated Stores	20.6	20.1
Ross Stores	15.9	14.8
MacFrugal's Bargains - CloseOuts	16.3	14.0
Mazel Stores	20.3	22.5
----- Median	20.3%	15.8%
----- Tuesday Morning	17.9%	20.0%
----- Rank	4/6	3/6

Note: See Exhibit 1 for additional detail.  
 Note 1: Source: I/B/E/S estimates.

[ART] SBC Warburg Dillon Read

Tuesday Morning Corporation

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Tuesday Morning Corporation/B-2-1

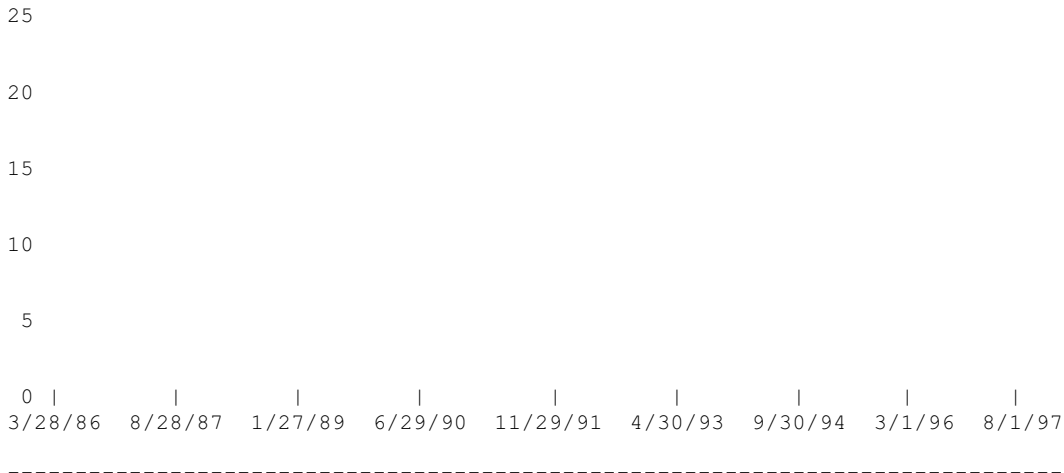
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Overview of Tuesday Morning's trading statistics

- . The Company completed its IPO in March 1986 at \$4.44 per share (split-adjusted).
  - . Tuesday Morning's stock price reached a low of \$2.08 on April 8, 1988, and a subsequent high of \$22.50 on July 22, 1997.
  - . The Company's 30-day average closing stock price prior to the acquisition announcement on August 14, 1997 is \$20.80. Its 90-day average prior to announcement is \$19.91.
- An offer of \$25.00 per share represents a 20.2% premium to the Company's 30-day average, and a 25.6% premium to the 90-day average.

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Stock Price Performance, IPO to Present



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[\_] Based on the Company's pre-announcement stock price, the Company's valuation was generally at or below its peers.

	Equity Value to:						Enterprise Value to:		
	Stock Price	Equity Value	LTM EPS	CY1997E EPS/2/	CY1998E EPS/2/	Latest BV	LTM Sales	LTM EBITDA	LTM EBIT
TJX Companies	\$29.19	\$4,655	6.2x	13.3x	10.6x	4.0x	0.7x	8.4x	10.8x
Consolidated Stores	40.00	3,370	34.6	25.5	21.1	4.9	1.3	16.0	21.0
Ross Stores	31.88	1,584	18.0	20.7	17.8	4.5	0.9	8.7	10.3
MacFrugal's Bargains - Close Outs	29.75	745	18.4	19.6	16.8	2.8	0.9	8.3	10.4
Mazel Stores	23.00	211	26.7	26.0	21.6	3.2	1.2	14.9	15.8
Median		\$1,584	18.4x	20.7x	17.8x	4.0x	0.9x	8.7x	10.8x
Tuesday Morning (at sign) 8/13/97 Close Rank	\$20.38/1/	\$243 5/6	18.0x 4/6	15.2x 6/6	12.9x 5/6	3.1x 5/6	1.0x 3/6	9.8x 3/6	11.9x 3/6

Note 1: Pre-announcement stock price.

Note 2: Source: I/B/E/S.

[\_] See Exhibit 1 for additional detail.

[LOGO] SBC Warburg Dillon Read

Tuesday Morning Corporation

PRESENTATION TO THE BOARD OF DIRECTORS

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Tuesday Morning Corporation / B - 3 - 1

OVERVIEW OF FINANCIAL PROJECTIONS

[\_] SBCWDR has reviewed Tuesday Morning's financial projections and their underlying assumptions, including:

- Review of Company projections as of September 9, 1997 prepared by Tuesday Morning management.
- Discussions with Lloyd Ross, Chairman & CEO, Jerry Smith, President & COO, and Mark Jarvis, CFO, regarding major assumptions.

[\_] Management has indicated that there will be no major changes in the Company's business plan and strategy if Madison Dearborn acquires Tuesday Morning.

[\_] The following pages summarize certain aspects of the plan.

[LOGO] SBC Warburg Dillon Read

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 Overview of Financial Projections

. Major assumptions underlying the business plan include:

- New store openings at a 10% growth rate through 1999, and 35 stores per year over the balance of the projection period
- Comparable-store sales growth as follows:

=====  
 Comparable - Store Sales Growth /1/

	1998	1999	2000	Forward
	-----	-----	-----	-----
Pre-1997 Stores	5.0%	5.0%	3.0%	3.0%
1997 Stores	-	12.0%	8.0%	3.0%
	Year 2	Year 3	Year 4	Forward
	-----	-----	-----	-----
Pre-1997 Stores	20.0%	10.0%	5.0%	3.0%

-----

Note 1: Company projections as of 9/5/97.

- Gross margins (pre-UNICAP) at 43.5% consistent with recent historical experience.
- EBITDA margin improvements from 12.4% in 1997E to 14.8% in 2002 (vs. 1996 actual of 10.1%).

. These assumptions exceed the Company projections presented by management at the Company's Annual Shareholders Meeting in May 1997.

[LOGO]SBC Warburg Dillon Read

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 Overview of Financial Projections

. SBCWDR compared Tuesday Morning's historical growth and profitability to that presented in the current business plan.

=====  
 Selected Comparisons

	Historical 1994-1997E	1997E	Projected 1996-2002
	-----	-----	-----
Annual Average Net New Store Openings	20	29	34
CAGR in New Store Openings	8.6%	10.1%	9.1%
Average Comparable - Store Sales Growth	10.7%	18.7%	10.5%
Average Sales Growth	15.9%	25.0%	10.2%
Average Gross Margin	42.6%	43.6%	43.6%
Average EBITDA Margin	8.7%	12.4%	13.9%
Average EBIT Margin/1/	7.0%	11.1%	12.9%

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Sources: Company reports; Company projections as of 9/5/97.  
Note 1: Before goodwill amortization in projection period.

- . The projections for the Company are similar in terms of planned growth and gross margin, but substantially more aggressive in EBITDA and EBIT margins.
- Margin projected to increase from 12.4% in 1997 to 14.8% in 2002.
- Prior to 1997E, the Company's highest EBITDA margin ever achieved was 12.3% in 1986 (which declined to 10.5% in 1987 and 8.8% in 1988).

[ART] SBC Warburg Dillon Read

Tuesday Morning Corporation

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Tuesday Morning Corporation / C - 1

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Discounted Cash Flow Analysis

- . A discounted cash flow analysis of the Company's business plan as outlined in Section B-3 results in the following values.

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Equity Valuation Per Share/1/

(in millions, except per share data)

		Discount Rates		
		17%	18%	19%
		-----	-----	-----
2002 EBITDA	7.0x	\$25.51	\$24.55	\$23.64
Multiple	8.0	28.22	27.15	26.13
	9.0	30.93	29.74	28.62

-----  
Note 1: 12.9 million shares.

- . See Exhibit 2 for additional detail

[ART] Warburg Dillon Read

Discounted Cash Flow Analysis

- . A discounted cash flow analysis that incorporates EBITDA margins at the 1997E level over the projection period.
- The Company has not achieved the 12%+ EBITDA margins projected in the current plan since 1986.

Equity Valuation Per Share/1/

(in millions, except per share data)

		Discount Rates		
		17%	18%	19%
2002 EBITDA	7.0x	\$21.36	\$20.56	\$19.80
Multiple	8.0	23.63	22.73	21.88
	9.0	25.89	24.90	23.96

Note 1: 12.9 million shares.

. See Exhibit 2 for additional detail.

[ART] Warburg Dillon Read

Discounted Cash Flow Analysis

A discounted cash flow analysis that incorporates EBITDA margins that duplicate 1987 - 1991 levels over the projection period.

Equity Valuation Per Share/1/

(in millions, except per share data)

		Discount Rates		
		17%	18%	19%
2002 EBITDA	7.0x	\$14.01	\$13.48	\$12.98
Multiple	8.0	15.55	14.96	14.39
	9.0	17.09	16.43	15.81

Note 1: 12.9 million shares.

See Exhibit 2 for additional detail.

[LOGO] SBC Warburg Dillon Read

Leveraged Buyout Analysis

- . A leveraged buyout of the Company at purchase prices greater than \$25.00 per share yields increasingly weaker credit statistics and lower equity returns.

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LBO Purchase Price Analysis/1/

	Price Per Common Share/2/			
	\$25.00	\$26.00	\$27.00	\$28.00
1997E EBITDA/Interest	1.7x	1.7x	1.6x	1.6x
1997E EBIT/Interest	1.5	1.5	1.5	1.4
Total Debt/Capitalization	67.1%	66.5%	65.9%	65.4%
Total Debt/EBITDA	5.9x	6.1x	6.2x	6.4x
IRR Assuming of 8.0x Exit Multiple of 2002 EBITDA	30.3%	28.3%	26.5%	24.7%

-----

Note 1: Company projections as of 9/5/97.

Note 2: Assumes increase in purchase price is funded 50% with equity and 50% with debt.

- . See Exhibit 3 for additional detail.

[LOGO] SBC Warburg Dillon Read

Tuesday Morning Corporation / C - 5

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Recapitalization Analysis

- [\_] An analysis of a leveraged recapitalization of the Company by paying a one-time cash dividend financed with debt results in lower values.

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Recapitalization Valuation Analysis

(in millions, except per share data)

	Cash Dividend per Share				
	\$ 12.00	\$ 13.00	\$ 14.00	\$ 15.00	\$ 16.00
Total Cash Dividend	\$155.8	\$168.8	\$181.8	\$194.7	\$207.7
1997E Pro Forma EPS	\$0.83	\$0.77	\$0.71	\$0.64	\$0.58
Assumed P/E Multiple/1/	15.2x	15.2x	15.2x	15.2x	15.2x
Implied Stock Value	\$12.61	\$11.67	\$10.74	\$9.80	\$8.87
Total Value per Share	\$24.61	\$24.67	\$24.74	\$24.80	\$24.87
1997E EBIT / Interest Expense	3.6x	3.3x	3.1x	2.9x	2.7x
1997E EBITDA / Interest Expense	4.0	3.8	3.5	3.4	3.2
1997E Total Debt / EBITDA	4.0	4.3	4.7	5.0	5.3

-----

Note 1: Multiple of 1997E earnings prior to announcement of \$25.00 offer.

Note 2: See Exhibit 4 for additional detail.

- [\_] Other negative qualitative factors may cause the Company's stock to trade

at P/E levels below that indicated above, including:

- The resulting smaller market capitalization and float of stock
- Significant financial leverage added to inherent operating leverage of business due to seasonality

[LOGO] SBC Warburg Dillon Read

Tuesday Morning Corporation / C - 6

ANALYSIS OF COMPARABLE ACQUISITIONS

[\_] Reviewing a selection of acquisitions of retailers, by both corporate and financial buyers, the Tuesday Morning offer price exceeds that of other recent acquisitions.

Comparable Acquisition Analysis - Retail Companies

	Offer for Assets to LTM:			Offer for Equity to:/1/	
	Sales	EBIT	EBITDA	LTM Net Inc	Book Value
Average	0.5x	12.5x	8.1x	21.5x	2.9x
Median	0.5	11.8	8.3	20.8	2.0
High	1.3	19.1	13.3	39.2	6.9
Low	0.2	6.2	4.1	10.0	1.5
# In Calculation	11	11	9	9	9
Tuesday Morning (at sign) \$25.00	1.2x	12.9x	10.7x	22.3x	4.1x

[\_] See Exhibit 5 for additional detail.

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Tuesday Morning Corporation/C-7

Analysis of Accretion/(Dilution) at Various Purchase Prices

. At \$25.00 per share in cash and higher prices, an acquisition of the Company by a corporate acquiror would be dilutive.

- Does not reflect any synergies
- Assumes achievement of 1997 plan

Accretion (Dilution) Analysis

(in millions)	Purchase Price Range			
	\$25.00	\$25.50	\$26.00	\$26.50
1997E Pretax Income	\$32.3	\$32.3	\$32.3	\$32.3
Less: Interest Expenses on Acquisition Debt at 8.5%	(27.6)	(28.2)	(28.7)	(29.3)
Adjusted Pretax Income	4.7	4.1	3.6	3.0
Less: Taxes	(1.9)	(1.6)	(1.4)	(1.2)
Net Income	2.8	2.5	2.2	1.8
Goodwill Amortization/1/	(5.9)	(6.1)	(6.2)	(6.4)

Pro Forma Net Income	----- (\$3.1)	----- (\$3.6)	----- (\$4.0)	----- (\$4.6)
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Note 1: Assumes goodwill amortized over 40 years.

. However, no corporate buyer approached the Company with an offer.

[LOGO] SBC Warburg Dillon Read

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Exhibits

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=====  
Analysis of Selected Deep Discount Retail Companies

	----- Tuesday Morning -----	----- Average -----	----- Median -----
<b>CURRENT PRICE DATA</b>			
Closing Price as of: 09/05/97	\$20.38(11)		
52 Week Range:	High Low	\$24.17 8.67	
Price as % of:	High Low	84.3% 235.1%	
Indicated Dividend Yield		0.0%	
Ticker		TUES	
Exchange		NASDAQ	
Fiscal Year End		December	
Latest Quarter		June	
<b>FORECASTED EARNINGS DATA</b>			
Latest Twelve Months E.P.S.	\$1.13		
Forecast FY + 1 E.P.S.(a)	\$1.34		
Forecast FY + 2 E.P.S.(a)	\$1.58		
Forecast 1997 CY E.P.S.(a)	\$1.34		
Forecast 1998 CY E.P.S.(a)	1.58		
% Change CY 1997E vs. 1998E		17.9%	
Five Year Growth Rate(a)		20.0%	
Shares Outstanding (MM)	11.9		
Market Value of Common Equity	\$243.4		
Unlevered Market Value(b)	281.8		
<b>MARKET VALUE OF EQUITY TO:</b>			
Latest Twelve Months E.P.S.	18.0 x	20.8 x	18.4 x
Forecast FY 1997 E.P.S.	15.2	20.9	20.7
Forecast FY 1998 E.P.S.	12.9	17.4	17.6
Forecast CY 1997 E.P.S.	15.2 x	21.0 x	20.7 x
Forecast CY 1998 E.P.S.	12.9	17.6	17.8
Book Value	3.1 x	3.9 x	4.0 x
<b>UNLEVERED MARKET VALUE TO:</b>			
LTM Revenue	1.0 x	1.0 x	0.9 x
LTM Operating Cash Flow (EBITDA) (d)	9.5	11.3	8.7
LTM Operating Income (EBIT)	11.4	13.6	10.8
Latest Net Assets(f)	2.4	3.6	3.5
<b>LATEST TWELVE MONTHS DATA</b>			
Total Revenue	\$281.6	\$2,487.4	\$1,761.7
Operating Cash Flows(d)	29.7	215.6	179.2
Operating Income	24.7	169.7	150.5
Net Income(c)	14.2	96.0	90.7

	Consolidated Stores	MacFrugal's Bargains Close-Outs	Mazel Stores
CURRENT PRICE DATA			
Closing Price as of: 09/05/97	\$40.00	\$29.75	\$23.00
52 Week Range:	High Low	\$41.75 \$22.96	\$29.25 11.75
Price as % of:	High Low	95.8% 174.2%	78.6% 195.7%
Indicated Dividend Yield	0.0%	0.0%	0.0%
Ticker Exchange	CNS NYSE	MFI NYSE	MAZL NASDAQ
Fiscal Year End Latest Quarter	January May	January May	January April
FORECASTED EARNINGS DATA			
Latest Twelve Months E.P.S.	\$1.16	\$1.62	\$0.86
Forecast FY + 1 E.P.S.(a)	\$1.59	\$1.52	\$0.88
Forecast FY + 2 E.P.S.(a)	1.92	1.79	1.08
Forecast 1997 CY E.P.S.(a)	\$1.57	\$1.52	\$0.88
Forecast 1998 CY E.P.S.(a)	1.89	1.77	1.06
% Change CY 1997E vs. 1998E	20.6%	16.3%	20.3%
Five Year Growth Rate(a)	20.1%	14.0%	22.5%
Shares Outstanding (MM)	84.3 (10)	25.0	9.2
Market Value of Common Equity	\$3,370.1	\$745.1	\$210.9
Unlevered Market Value(b)	3,751.4	748.1	213.5
MARKET VALUE OF EQUITY TO:			
Latest Twelve Months E.P.S.	34.6 x	18.4 x	26.7 x
Forecast FY 1997 E.P.S.	25.2	19.6	26.1
Forecast FY 1998 E.P.S.	20.8	16.6	21.3
Forecast CY 1997 E.P.S.	25.5 x	19.6 x	26.0 x
Forecast CY 1998 E.P.S.	21.1	16.8	21.6
Book Value	4.9 x	2.8 x	3.2 x
UNLEVERED MARKET VALUE TO:			
LTM Revenue	1.3 x	0.9 x	1.2 x
LTM Operating Cash Flow (EBITDA) (d)	16.0	8.3	14.9
LTM Operating Income (EBIT)	21.0	10.4	15.8
Latest Net Assets(f)	3.5	2.8	3.1
LATEST TWELVE MONTHS DATA			
Total Revenue	\$2,920.4	\$797.0	\$180.6
Operating Cash Flows(d)	234.2	90.2	14.3
Operating Income	178.9	72.1	13.6
Net Income(c)	100.1	41.8	7.9

	Ross Stores	TJX Companies
CURRENT PRICE DATA		
Closing Price as of: 09/05/97	\$31.88	\$29.19
52 Week Range:	High Low	\$34.38 16.81
Price as % of:	High Low	92.7% 189.6%
Indicated Dividend Yield	0.6%	0.7%
Ticker Exchange	ROST NASDAQ	TJX NASDAQ
Fiscal Year End Latest Quarter	January May	January April
FORECASTED EARNINGS DATA		
Latest Twelve Months E.P.S.	\$1.77	\$4.68
Forecast FY + 1 E.P.S.(a)	\$1.54	\$2.29
Forecast FY + 2 E.P.S.(a)	1.81	2.80
Forecast 1997 CY E.P.S.(a)	\$1.54	\$2.20
Forecast 1998 CY E.P.S.(a)	1.79	2.76
% Change CY 1997E vs. 1998E	15.9%	25.5%
Five Year Growth Rate(a)	14.8%	15.8%

Shares Outstanding(MM)	49.7	159.5 (7)
Market Value of Common Equity	\$1,584.0	\$4,654.8
Unlevered Market Value(b)	1,557.1	4,680.8
MARKET VALUE OF EQUITY TO:		
Latest Twelve Months E.P.S.	18.0 x	6.2 x
Forecast FY 1997 E.P.S.	20.7	12.7
Forecast FY 1998 E.P.S.	17.6	10.4
Forecast CY 1997 E.P.S.	20.7 x	13.3 x
Forecast CY 1998 E.P.S.	17.8	10.6
Book Value	4.5 x	4.0 x
UNLEVERED MARKET VALUE TO:		
LTM Revenue	0.9 x	0.7 x
LTM Operating Cash Flow (EBITDA) (d)	8.7	8.4
LTM Operating Income(EBIT)	10.3	10.8
Latest Net Assets(f)	4.8	3.9
LATEST TWELVE MONTHS DATA		
Total Revenue	\$1,761.7	\$6,777.3
Operating Cash Flows(d)	179.2	559.8
Operating Income	150.5	433.5
Net Income(c)	90.7	239.3

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Analysis of Selected Deep Discount Retail Companies

09/08/97

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	Tuesday Morning	Average	Median	Consolidated Stores
THREE YEAR GROWTH RATES				
Total Revenue	16.2%	34.6%	48.0%	49.5%
Operating Cash Flow (d)	63.3%	37.4%	44.2%	38.4%
Operating Income	90.4%	41.3%	55.2%	39.2%
Net Income (c)	108.4%	39.0%	40.0%	40.0%
LTM MARGINS, RETURNS & ASSET UTILIZATION				
Gross Margin	35.8%	34.0%	33.5%	41.4%
3 Year Avg.	34.5%	33.1%	29.5%	42.2%
Operating Cash Flow (d)	10.5%	9.1%	8.3%	8.0%
3 Year Avg.	7.2%	8.7%	8.1%	10.2%
Operating Income	8.8%	7.5%	7.5%	6.1%
3 Year Avg.	5.2%	7.0%	7.5%	8.1%
Net Income (c)	5.0%	4.3%	4.4%	3.4%
3 Year Avg.	2.7%	4.2%	4.3%	4.7%
Return on Average Equity	18.2%	17.8%	16.0%	14.6%
Operating Return on Net Assets	21.1%	29.4%	27.2%	16.8%
Inventory Turnover	1.4 x	2.7 x	2.4 x	1.8 x
LATEST BALANCE SHEET DATA				
Net Debt (e)	\$ 38.4			\$ 381.3
Shareholders' Equity	78.3			685.2
Net Assets (f)	116.7			1,066.5
Net Debt/Net Market Capitalization	13.6%			10.2%
Net Debt/Net Book Capitalization	32.9%			35.8%
OPERATING DATA				
Comparable store sales growth				9.5%
LQ	23.0%			7.7%
LFY	14.0%			1798
No. of stores LFY	286			9.0 (3)
Selling sq. ft per store LFY (000s)	7.8			\$163.4
Sales per sq. foot of selling space (mm) LFY	\$122.3			0.5
Inventory per store at FYTD (mm)	0.4			

Mac Frugal's Bargains Close-Outs	Mazel Stores	Ross Stores	TJX Companies
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THREE YEAR GROWTH RATES	6.4%	53.6%	15.7%	48.0%
Total Revenue	0.7%	51.0%	44.2%	52.5%
Operating Cash Flow (d)	-0.7%	55.6%	57.1%	55.2%
Operating Income	0.6%	32.9%	62.7%	59.1%
Net Income (c)				

LTM MARGINS, RETURNS & ASSET UTILIZATION					
Gross Margin		43.0%	33.5%	29.6%	22.8%
	3 Year Avg.	44.0%	29.5%	28.0%	21.9%
Operating Cash Flow (d)		11.3%	7.9%	10.2%	8.3%
	3 Year Avg.	10.6%	8.1%	7.7%	7.2%
Operating Income		9.1%	7.5%	8.5%	6.4%
	3 Year Avg.	8.2%	7.5%	5.8%	5.2%
Net Income (c)		5.2%	4.4%	5.1%	3.5%
	3 Year Avg.	4.3%	5.9%	3.4%	2.6%
Return on Average Equity		16.0%	11.9%	26.0%	20.5%
Operating Return on Net Assets		27.2%	19.7%	46.8%	36.3%
Inventory Turnover		2.4 x	2.4 x	3.0 x	3.8 x
LATEST BALANCE SHEET DATA					
Net Debt (e)		\$3.0	\$2.5	(\$26.9)	\$26.0
Shareholders' Equity		261.8	66.3	348.7	1,168.0
Net Assets (f)		264.8	68.8	321.8	1,194.0
Net Debt/Net Market Capitalization		0.4%	1.2%	-1.7%	0.6%
Net Debt/Net Book Capitalization		1.1%	3.7%	-8.4%	2.2%
OPERATING DATA					
Comparable store sales growth					
LQ		13.4%	-4.0%	11.0%	5.9% (2)
LFY		4.2%	15.8%	13.0%	7.0%
No. of stores LFY		319	23	309	1136
Selling sq. ft per store LFY (000s)		17.7	8.8	21.6	30.1 (4)
Sales per sq. foot of selling space (mm) LFY		\$137.2	\$533.9	\$253.5	\$195.7
Inventory per store at FYTD (mm)		0.6	1.8	1.3	1.2

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Analysis of Selected Deep Discount Retail Companies 09/08/97  
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	Tuesday Morning	Average	Median	Consolidated Stores	Mac Frugal's Bargains Close-Outs	Mazel Stores	Ross Stores	TJX Companies
Total Revenues								
LTM	\$281.6			\$ 2,920.4	\$ 797.0	\$180.6	\$1,761.7	\$6,777.3
FYTD	114.9			594.9	183.5	43.1	442.8	1,560.2
FYTD-1	90.0			322.0	159.1	42.5	370.9	1,472.2
LFY (A)	256.8			2,647.5	772.6	179.9	1,689.8	6,689.4
LFY-1	210.3			1,406.0	704.9	98.1	1,426.4	3,975.1
LFY-2	190.1			1,185.1	682.1	76.3	1,262.5	3,055.6
LFY Revenue Growth								
	22.1%			88.3%	9.6%	83.3%	18.5%	68.3%
COGS (as % of revenue)								
LTM	64.2%			58.6%	57.0%	66.5%	70.4%	77.2%
FYTD	\$180.8			\$ 1,711.7	\$ 454.5	\$120.1	\$1,239.6	\$5,234.0
FYTD-1	74.0			356.1	104.9	28.3	309.5	1,202.6
LFY	58.4			186.9	88.7	29.6	264.1	1,167.4
LFY-1	165.2			1,542.5	438.3	121.4	1,194.1	5,198.8
LFY-1	137.4			811.6	414.6	70.2	1,031.5	3,143.3
LFY-2	126.9			681.2	358.3	55.2	920.3	2,370.7
Gross Profit								
LTM	\$100.9			\$ 1,208.7	\$ 342.5	\$ 60.4	\$ 522.1	\$1,543.3
FYTD	40.9			238.8	78.6	14.8	133.3	357.5
FYTD-1	31.6			135.1	70.4	12.9	106.9	304.9
LFY	91.6			1,105.0	334.3	58.5	495.7	1,490.6
LFY-1	72.8			594.5	290.3	27.9	394.9	831.9
LFY-2	63.2			503.9	323.7	21.1	342.3	684.9
SG&A (as % of revenue)								
LTM	27.1%			35.3%	33.9%	26.0%	21.1%	16.4%
FYTD	\$ 76.2			\$1,029.8%	\$ 270.3	\$ 46.9	\$ 371.6	\$1,109.7
FYTD-1	36.3			246.1	68.7	12.2	86.7	273.7
FYTD-1	31.3			124.7	63.0	9.9	76.2	251.2
LFY	71.2			908.5	264.7	44.6(1)	361.2	1,087.1
LFY-1	63.0			475.8	254.4	20.8	320.1	669.9
LFY-2	57.5			402.4	253.1	15.3	287.8	517.4
Operating Income								
LTM	\$ 24.7			\$ 178.9	\$ 72.1	\$ 13.6	\$ 150.5	\$ 433.5
FYTD	4.6			(7.3)	9.9	2.6	46.7	83.8
FYTD-1	0.3			10.4	7.4	3.0	30.7	53.7
LFY	20.4			196.5	69.7	13.9	134.5	403.5
LFY-1	9.8			118.7	35.9	7.1	74.9	162.0
LFY-2	5.6			101.5	70.6	5.8	54.5	167.4
Depreciation & Amortization								
LTM	\$ 5.0			\$ 55.4	\$ 18.0	\$ 0.7	\$ 28.8	\$ 126.3



FYTD	2.5	15.1	4.4	0.3	7.3	29.9
FYTD-1	2.4	8.2	4.7	0.2	7.3	30.4
LFY	4.9	48.4	18.3	0.6	28.8	126.8
LFY-1	4.6	30.0	18.2	0.5	27.0	79.2
LFY-2	3.9	26.5	16.0	0.6	24.0	60.6
-----						
Operating Cash Flow(e)						
-----						
LTM	\$ 29.7	\$ 234.2	\$ 90.2	\$ 14.3	\$ 179.2	\$ 559.8
FYTD	7.1	7.9	14.3	3.0	53.9	113.7
FYTD-1	2.7	18.6	12.1	3.2	37.9	84.2
LFY	25.3	244.9	87.9	14.6	163.2	530.3
LFY-1	14.4	148.7	54.1	7.6	101.9	241.2
LFY-2	9.5	128.0	86.6	6.4	78.5	228.0
-----						
Net Income						
-----						
LTM	\$ 14.2	\$ 100.1	\$ 41.8	\$ 7.9	\$ 90.7	\$ 239.3
FYTD	2.5	(7.3)	6.0	1.5	23.8	48.5
FYTD-1	(0.2)	5.9	3.5	2.1(1)	13.9	23.0
LFY	11.5	113.3	39.3(8)	8.5(1)	80.9	213.8
LFY-1	4.8	70.1	14.6	6.4(1)	43.3	71.9(6)
LFY-2	2.7	57.8	38.9	4.8	30.6(5)	84.5
-----						
LFY Net Income Growth	141.3%	61.6%	170.2%	32.0%	87.0%	197.3%
-----						

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Analysis of Selected Deep Discount Retail Companies

09/08/97

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	Tuesday Morning	Average	Median	Consolidated Stores	Mac Frugal's Bargains Close-Outs	Mazel Stores	Ross Stores	TJX Companies
-----								
Shareholder's Equity								
-----								
LQ	\$78.28			\$685.21	\$261.76	\$66.29	\$348.65	\$1,168.00
LFY	75.53			682.09	252.03	64.76	328.84	1,127.19
LFY-1	63.65			389.56	230.40	12.87	291.52	764.63
-----								
Oper. CF Margin								
-----								
Average LFY	7.2%			10.2%	10.6%	8.1%	7.7%	7.2%
LTM	10.5%			8.0%	11.3%	7.9%	10.2%	8.3%
LFY	9.9%			9.3%	11.4%	8.1%	9.7%	7.9%
LFY-1	6.8%			10.6%	7.7%	7.8%	7.1%	6.1%
LFY-2	5.0%			10.8%	12.7%	8.4%	6.2%	7.5%
-----								
Gross Profit Margin								
-----								
Average	34.5%			42.2%	44.0%	29.5%	28.0%	21.9%
LTM	35.8%			41.4%	43.0%	33.5%	29.6%	22.8%
LFY	35.7%			41.7%	43.3%	32.5%	29.3%	22.3%
LFY-1	34.6%			42.3%	41.2%	28.4%	27.7%	20.9%
LFY-2	33.2%			42.5%	47.5%	27.6%	27.1%	22.4%
-----								
Oper. Income Margin								
-----								
Average	5.2%			8.1%	8.2%	7.5%	5.8%	5.2%
LTM	8.8%			6.1%	9.1%	7.5%	8.5%	6.4%
LFY	7.9%			7.4%	9.0%	7.7%	8.0%	6.0%
LFY-1	4.7%			8.4%	5.1%	7.3%	5.2%	4.1%
LFY-2	3.0%			8.6%	10.4%	7.5%	4.3%	5.5%
-----								
Net Income Margin								
-----								
Average	2.7%			4.7%	4.3%	5.9%	3.4%	2.6%
LTM	5.0%			3.4%	5.2%	4.4%	5.1%	3.5%
LFY	4.5%			4.3%	5.1%	4.7%	4.8%	3.2%
LFY-1	2.3%			5.0%	2.1%	6.6%	3.0%	1.8%
LFY-2	1.4%			4.9%	5.7%	6.3%	2.4%	2.8%
-----								
Avg. Return on Equity								
-----								
Average	11.4%			17.3%	11.0%	31.6%	19.7%	14.2%
LFY	15.2%			16.6%	15.6%	13.1%	24.6%	19.0%
LFY-1	7.5%			18.0%	6.3%	50.1%	14.8%	9.4%
-----								
Share Data								
-----								
FYTD Avg. Shares Outstanding	12.7			87.7 (10)	25.4	9.2	50.5	169.8 (7)
FYTD-1 Avg. Shares Outstanding	11.8			77.9 (10)	25.7	9.2	51.6	204.5 (7)
LFY Avg. Shares Outstanding	12.3 (9)			84.0 (10)	25.9	9.2	51.4	181.3 (7)
LTM Avg. Shares Outstanding (used in EPS)	12.6			86.49	25.85	9.17	51.12	51.12
-----								
Indicated Dividend per share	\$0.00			\$0.00	\$0.00	\$0.00	\$0.18	\$0.20
Latest Book Value per share	6.55			8.13	10.45	7.23	7.02	7.32
-----								
Balance Sheet Data								
-----								
Cash	\$1.3			\$23.4	\$11.0	\$1.2	\$26.9	\$397.1
Inventories	128.3			927.8	188.5	49.9	409.0	1,384.4
Net Debt	38.4			381.3	3.0	2.5	(26.9)	26.0
Net Assets	116.7			1,066.5	264.8	68.8	321.8	1,194.0
Minority Interest	0.0			0.0	0.0	0.0	0.0	0.0
Preferred Equity	0.0			0.0	0.0	0.0	0.0	150.0

Common Equity	78.3	685.2	261.8	66.3	348.7	1,168.0
Total Debt	39.8	404.7	14.0	3.7	0.0	273.1

Item Definitions:

- (a) Forecasts provided by I/B/E/S Estimates & ZACKS.  
(b) Market value of common equity plus book value of net debt.  
(c) All net income numbers are from continuing operations, exclude one time charges and are before NOL's.  
(d) Operating cash flow is defined as operating income plus depreciation and amortization  
(e) Net debt equals total debt less cash plus preferred equity plus minority interest.  
(f) Net assets defined as shareholder's equity plus net debt.

Company Notes:

- (1) Pro forma as adjusted data gives effect to the Company's initial public offering as of the beginning of all periods presented, excludes certain non-recurring charge and gives effect to the use of proceeds.  
(2) Comparable same store sales growth is a weighted average of comparable same store sales growth for T.J. Maxx, Marshalls, Winners, T.K. Maxx, and Homegoods.  
(3) Selling sq. ft. per store is a weighted average of closeout and toy stores.  
(4) Selling sq. ft. per store is a weighted average of T.J. Maxx, Marshalls, Winners, Homegoods, and T.K. Maxx stores.  
(5) ROST net income for FY Ended January 28, 1995 excludes a pre-tax insurance proceed of \$10.4mm.  
(6) TJX net income for fiscal year ended January 27, 1996 excludes a pre-tax store closing cost of \$35 mm.  
(7) Shares outstanding adjusted to reflect 2 for 1 stock split.  
(8) MFI net income for fiscal year ended February 2, 1997 excludes a pre-tax gain on distribution center settlement of \$6.2 mm.  
(9) Shares outstanding adjusted to reflect 3 for 2 stock split.  
(10) Shares outstanding adjusted to reflect 5 for 4 stock split.  
(11) TUES stock price as of 08/13/97.

SBC Warburg Dillon Read Inc.

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Scenario: Management Business Plan

Discounted Cash Flow Valuation  
(dollars in millions, except per share data)

Free Cash Flow Calculation

	Pro Forma	Projections Years Ending Dec. 31,						
		1997	1998	1999	2000	2001	2002	
Revenue	\$320.9	\$360.9	\$402.0	\$439.9	\$479.5	\$521.3		
EBITDA	39.7	46.6	55.1	61.6	69.0	77.1		
Depreciation	4.0	4.5	5.1	5.7	6.3	7.0		
EBITA (before goodwill amortization)	35.6	42.0	50.0	55.9	62.7	70.2		
Tax: Federal & State	13.2	15.6	18.5	20.7	23.2	26.0		
EBIATA	22.5	26.5	31.5	35.2	39.5	44.2		
Depreciation & Amortization		4.5	5.1	5.7	6.3	7.0		
Capital Expenditures		(5.2)	(5.8)	(6.1)	(6.5)	(7.0)		
Change in Net Working Capital (excluding cash)		(2.6)	(7.1)	(6.6)	(6.9)	(7.3)		
Free Cash Flow		\$23.2	\$23.7	\$28.2	\$32.4	\$37.0		
		=====	=====	=====	=====	=====		
	Average ( '95-'97)	1996						
EBITDA Margin	7.1%	10.1%	12.4%	12.9%	13.7%	14.0%	14.4%	14.8%
EBITA Margin (before goodwill amortization)	7.8%	8.2%	11.1%	11.6%	12.4%	12.7%	13.1%	13.5%

Equity Value Per Share		Discount Rate					
		17.0%	17.5%	18.0%	18.5%	19.0%	
Less: Total Debt @ 12/31/97	4.0						
Total Primary Shares	13.0						
	7.0	\$25.51	\$25.02	\$24.55	\$24.09	\$23.64	
	2002 EBITDA Multiple	8.0	\$28.22	\$27.68	\$27.15	\$26.63	\$26.13
	9.0	\$30.93	\$30.33	\$29.74	\$29.17	\$28.62	

SBC Warburg Dillon Read Inc.

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Scenario: 1997E EBITDA Margin over Projection Period

Discounted Cash Flow Valuation  
(dollars in millions, except per share data)

Free Cash Flow Calculation

	Pro Forma	Projections				
		Year Ending Dec. 31,				
	1997	1998	1999	2000	2001	2002
Revenue	\$320.9	\$360.9	\$402.0	\$439.9	\$479.5	\$521.3
EBITDA						
Depreciation	39.7	44.6	49.7	54.4	59.3	64.4
EBITA (before goodwill amortization)	4.0	4.5	5.1	5.7	6.3	7.0
	35.6	40.1	44.6	48.7	53.0	57.5
Tax: Federal & State	13.2	14.8	16.5	18.0	19.6	21.3
EBIATA	22.5	25.3	28.1	30.7	33.4	36.2
		4.5	5.1	5.7	6.3	7.0
Depreciation & Amortization		(5.2)	(5.8)	(6.1)	(6.5)	(7.0)
Capital Expenditures		(2.6)	(7.1)	(6.6)	(6.9)	(7.3)
Change in Net Working Capital (excluding cash)						
Free Cash Flow	\$ 21.9	\$ 20.3	\$ 23.6	\$ 26.3	\$ 29.0	

	Average ('95-'97)	1996						
EBITDA Margin	7.1%	10.1%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%
EBITA Margin (before goodwill amortization)	7.8%	8.2%	11.1%	11.1%	11.1%	11.1%	11.0%	11.0%

Equity Value Per Share

Equity Value Per Share		Discount Rate					
		17.0%	17.5%	18.0%	18.5%	19.0%	
Less: Total Debt @ 12/31/97	4.0						
Total Primary Shares	13.0						
	7.0	\$21.36	\$20.96	\$20.56	\$20.18	\$19.80	
	2002 EBITDA Multiple	8.0	\$23.63	\$23.17	\$22.73	\$22.30	\$21.88
	9.0	\$25.89	\$25.39	\$24.90	\$24.43	\$23.96	

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Scenario: EBITDA Margin Period 1987 - 1991

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Discounted Cash Flow Valuation  
(dollars in millions, except per share data)

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Free Cash Flow Calculation

	Pro Forma	Projections				
		Years Ending Dec. 31,				
	1997	1998	1999	2000	2001	2002
Revenue	\$320.9	\$360.9	\$402.0	\$439.9	\$479.5	\$521.3
EBITDA	39.7	37.9	35.4	39.2	37.4	43.8
Depreciation	4.0	4.5	5.1	5.7	6.3	7.0
EBITA (before goodwill amortization)	35.6	33.4	30.3	33.5	31.1	36.8
Tax: Federal & State	13.2	12.3	11.2	12.4	11.5	13.6
EBIATA	22.5	21.0	19.1	21.1	19.6	23.2
Depreciation & Amortization		4.5	5.1	5.7	6.3	7.0
Capital Expenditures		(5.2)	(5.8)	(6.1)	(6.5)	(7.0)
Change in Net Working Capital (excluding cash)		(2.6)	(7.1)	(6.6)	(6.9)	(7.3)
Free Cash Flow		\$17.7	\$11.3	\$14.0	\$12.5	\$16.0

	Average ( '95-'97)	1996						
EBITDA Margin	7.1%	10.1%	12.4%	10.5%	8.8%	8.9%	7.8%	8.4%
EBITA Margin (before goodwill amortization)	7.8%	8.2%	11.1%	9.2%	7.5%	7.6%	6.5%	7.1%

Equity Value Per Share

			Discount Rate					
			17.0%	17.5%	18.0%	18.5%	19.0%	
Less: Total Debt @ 12/31/97	4.0							
Total Primary Shares	13.0							
		2002	7.0	\$14.01	\$13.74	\$13.48	\$13.23	\$12.98
		EBITDA	8.0	\$15.55	\$15.25	\$14.96	\$14.67	\$14.39
		Multiple	9.0	\$17.09	\$16.75	\$16.43	\$16.11	\$15.81

SBC Warburg Dillon Read Inc.

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09/09/97

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Scenario: MDP Base Case

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Valuation Summary

Common Shares Outstanding	11.926
Treasury Options	1.056
Total Primary Shares	12.983
Offer per Common Share	\$25.00
Unaffected Price @ 8/13/97	20.38
Premium to Market	22.7%
Offer for Equity	\$324.6
Plus: Debt Assumed	4.0 (1)
Plus: Revolver Assumed	0.0
Less: Excess Cash on Hand	3.4
Offer for Assets	\$325.2

-----

Transaction Multiples	1997E	1998E
Asset Value to:		
Net Sales	1.01 x	0.90 x
EBITDA	8.20	6.99
EBIT	9.12	7.75
Net Assets	3.26	0.97
Equity Value to:		
Net Income	15.96 x	13.72 x
Book Value	3.39	2.70

Purchase Allocation

Purchase Price of Equity	\$324.6
Plus: Transaction Fees	7.0
Less: Write Up of Assets	0.0
Less: Book Value of Equity	95.9
Total Goodwill	\$235.7
Amortization of Goodwill	\$5.9
Amortization Period	40

Fees and Expenses

Transaction Fees & Expenses	7.0
Financing Fees & Expenses	9.0
Total Fees & Expenses	\$16.0
Amortization of Financing Fees	\$1.3
Amortization Period	7

Sources of Funds

	Amount	Rate %
New Revolver Borrowings	\$13.5	8.25%
Senior Unsecured Debt A	46.0	8.25%
Senior Unsecured Debt B	60.0	9.00%
Subordinated Debt	100.0	10.75%
Investor Preferred Equity	115.0	8.00%
Management Common Equity	0.0	---
Due from Officer	2.7 (2)	---
Excess Cash On Hand	3.4	---
Total Sources	\$340.6	

Uses of Funds

Purchase of Equity	\$324.6
--------------------	---------

Debt Refinanced	0.0
Fees and Expenses	16.0
	-----
Total Uses	\$340.6
	=====
Warrants	0.0%
Management Carry	10.0%

Pro Forma Capitalization

	Estimated		Pro Forma	% of Total at Year-End		
	1997	Adjustments		1997	1998	1999
Debt						
Existing Debt	\$4.0	\$0.0	\$4.0	1.2%	1.0%	0.7%
Revolving Credit Facility	0.0	13.5	13.5	4.0%	3.8%	4.7%
Senior Unsecured Debt A	0.0	46.0	46.0	13.6%	11.7%	8.2%
Senior Unsecured Debt B	0.0	60.0	60.0	17.7%	17.8%	17.5%
Subordinated Debt	0.0	100.0	100.0	29.5%	29.9%	29.8%
	-----	-----	-----	-----	-----	-----
Total	4.0		223.5	66.0%	64.1%	61.0%
Equity						
Preferred Equity	0.0	115.0	115.0	34.0%	37.1%	40.0%
Common Equity	95.9	(95.9)	0.0	0.0%	-1.2%	-1.0%
	-----	-----	-----	-----	-----	-----
Total	95.9		115.0	34.0%	35.9%	39.0%
Total Capitalization	\$99.9		\$338.5	100.0%	100.0%	100.0%

Credit Statistics (3)

	Pro Forma	Projections			
		Year Ending Dec. 31,			
	1997	1998	1999	2000	2001
EBIT/Cash Interest (4) (5)	1.52 x	1.81 x	2.20 x	2.56 x	3.05 x
EBITDA/Cash Interest (5)	1.70	2.01	2.43	2.82	3.35
EBITDA-CapX/Cash Interest (5)	1.50	1.78	2.17	2.54	3.04
EBIT/Interest (4)	1.52 x	1.81 x	2.20 x	2.56 x	3.05 x
EBITDA/Interest	1.70	2.01	2.43	2.82	3.35
EBITDA-CapX/Interest	1.50	1.78	2.17	2.54	3.04
Senior Debt/EBITDA	3.29 x	2.68 x	2.11 x	1.65 x	1.34 x
Total Debt/EBITDA	5.91	4.90	3.97	3.30	2.80
Total Debt/Total Capitalization	67.1%	65.5%	62.5%	58.3%	53.8%
Total Debt/Total Equity	2.04 x	1.90 x	1.67 x	1.40 x	1.17 x

- (1) Mortgage debt and capital lease balances as of 12/31/97.
- (2) Unsecured loan due from officer.
- (3) Calculated using average revolver balances.
- (4) Before goodwill amortization.
- (5) Excludes non-cash interest charges when applicable.

SBC Warburg Dillon Read Inc.

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Scenario: MDP Base Case

Internal Rate of Return Analysis  
(dollars in millions, except per share data)

Calculation of Equity Cash Out Values

	1998	1999	2000	2001	2002
Projected EBITDA	\$ 46.5	\$ 54.9	\$ 61.5	\$ 69.1	\$ 77.4
7 x EBITDA	\$ 325.5	\$384.5	\$430.8	\$483.8	\$541.5



1998	32	16.4	20.2	22.7	24.5	25.8	26.6	27.4	28.2	29.1	30.0		
1999	35		18.4	22.6	25.5	27.4	29.0	29.8	30.7	31.7	32.6		
2000	35			18.8	23.2	26.1	28.1	29.7	30.6	31.5	32.5		
2001	35				19.3	23.8	26.8	28.8	30.4	31.4	32.3		
2002	35					19.8	24.4	27.5	29.6	31.2	32.1		
2003	35						20.3	25.0	28.1	30.3	32.0		
2004	35							20.8	25.6	28.8	31.0		
2005	35								21.3	26.2	29.6		
2006	35									21.9	26.9		
2007	35										22.4		
		\$256.8	\$320.9	\$360.9	\$402.0	\$439.9	\$479.5	\$521.3	\$533.2	\$578.4	\$625.7	\$675.1	\$726.8
Sales Growth		25.0%	12.5%	11.4%	9.4%	9.0%	8.7%	2.3%	8.5%	8.2%	7.9%	7.7%	

SBC Warburg Dillon Read Inc.

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Scenario: MDP Base Case

Projected Income Statement	Projections Year Ending Dec. 31,													
	Actual	Pro Forma	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
(dollars in millions, except per share data)														
Net Sales	\$256.8	\$320.9	\$360.9	\$402.0	\$439.9	\$479.5	\$521.3	\$533.2	\$578.4	\$625.7	\$675.1	\$726.8		
Cost of Sales	165.2	181.0	203.5	226.7	248.1	270.4	294.0	300.7	326.2	352.9	380.8	409.9		
Gross Profit	91.6	139.9	157.4	175.3	191.8	209.0	227.3	232.5	252.2	272.8	294.3	316.9		
SG&A Expense	71.2	104.9	116.1	125.4	135.9	146.2	156.9	160.5	174.1	188.3	203.2	218.8		
Operating Profit	20.4	35.0	41.3	49.8	55.9	62.8	70.4	72.0	78.1	84.5	91.1	98.1		
Other (Income)/Expense	(0.6)	(0.6)	(0.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Goodwill Amortization	0.0	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9		
Total Other (Income)/Expense	(0.6)	5.3	5.2	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9		
Earnings Before Interest & Taxes	21.0	29.8	36.1	44.0	50.0	56.9	64.5	66.1	72.2	78.6	85.2	92.2		
Existing Debt Revolving Credit Facility	2.8	0.3	0.3	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Senior Unsecured Debt A	0.0	3.1	3.2	3.6	4.0	4.1	4.6	5.7	5.8	6.0	6.6	7.3		
Senior Unsecured Debt B	0.0	3.8	3.5	2.8	1.6	0.5	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)		
Subordinated Debt	0.0	5.4	5.4	5.3	5.3	5.2	5.2	5.1	5.0	5.0	4.9	4.9		
Total Interest Expense	2.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8		
Interest Income	0.3	2.8	23.2	22.6	21.8	20.6	20.6	21.6	21.6	21.8	22.3	22.9		
Financing Fee Amortization	0.0	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.4		
Pretax Income	18.5	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	0.0	0.0		
Tax: Federal & State	7.0	4.1	6.6	9.7	12.2	15.2	18.1	18.3	20.5	23.3	25.6	28.0		
Net Income	11.5	1.1	5.3	10.6	14.9	20.0	24.8	25.2	29.0	33.8	37.7	41.7		
Preferred Dividends		9.2	9.2	9.9	10.7	11.6	12.5	13.5	14.6	15.8	17.0	18.4		
Net Income to Common	\$11.5	(\$8.1)	(\$3.9)	\$0.6	\$4.2	\$8.4	\$12.3	\$11.7	\$14.5	\$18.0	\$20.6	\$23.3		
Average Shares (millions)	12.3	12.6	12.8	13.1	13.3	13.6	13.9	14.2	14.4	14.7	15.0	15.3		
Earnings Per Share	\$0.93	\$0.09	\$0.41	\$0.81	\$1.12	\$1.47	\$1.79	\$1.78	\$2.01	\$2.29	\$2.51	\$2.72		
Note: EBITDA	\$25.9	\$39.7	\$46.5	\$54.9	\$61.5	\$69.1	\$77.4	\$79.7	\$86.3	\$89.4	\$96.6	\$104.1		

Operating Assumptions

Sales Growth (y-o-y)	22.1%	25.0%	12.5%	11.4%	9.4%	9.0%	8.7%	2.3%	8.5%	8.2%	7.9%	7.7%
Gross Margin	35.7%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%
SG&A Expense	27.7%	32.7%	32.2%	31.2%	30.9%	30.5%	30.1%	30.1%	30.1%	30.1%	30.1%	30.1%
Operating Profit Margin	7.9%	10.9%	11.4%	12.4%	12.7%	13.1%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%
Other Income (% of sales)	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT Margin	8.2%	9.3%	10.0%	10.9%	11.4%	11.9%	12.4%	12.4%	12.5%	12.6%	12.6%	12.7%
Interest Income (% of sales)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Pretax Profit Margin	7.2%	1.6%	3.3%	5.0%	6.2%	7.4%	8.2%	8.2%	8.6%	9.1%	9.4%	9.6%
Tax Rate	37.8%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%
Net Income Margin	4.5%	0.3%	1.5%	2.6%	3.4%	4.2%	4.8%	4.7%	5.0%	5.4%	5.6%	5.7%
EPS Growth	NM	NM	362.7%	96.8%	38.0%	31.9%	21.6%	-0.5%	12.9%	14.0%	9.3%	8.6%
Number of Stores	286	315	347	382	417	452	487	522	557	592	627	662
Store Growth (y-o-y)	10.0%	10.1%	10.2%	10.1%	9.2%	8.4%	7.7%	7.2%	6.7%	6.3%	5.9%	5.6%
Sales per Store (\$000)	\$940.5	\$1,067.9	\$1,090.3	\$1,102.9	\$1,101.2	\$1,103.5	\$1,110.3	\$1,056.8	\$1,072.0	\$1,089.0	\$1,107.6	\$1,127.7



## Scenario: MDP Base Case

Projected Balance Sheet (dollars in millions)	Actual	Estimated	Adjustments	Pro Forma	Projected Year Ending Dec. 31,		
	1996	1997		1997	1998	1999	2000
<b>ASSETS</b>							
Cash & Equivalents	\$10.8	\$8.4	(\$3.4)	\$5.0	\$5.0	\$5.0	\$5.0
Inventory	75.5	90.5	0.0	90.5	96.9	108.0	118.2
Prepaid Expenses	1.0	1.6	0.0	1.6	1.8	2.0	2.2
Other Current Assets	0.7	1.0	0.0	1.0	1.1	1.2	1.3
<b>Total Current Assets</b>	<b>88.0</b>	<b>101.4</b>		<b>98.1</b>	<b>104.8</b>	<b>116.2</b>	<b>126.7</b>
Net Property, Plant & Equipment	30.4	31.0	0.0	31.0	31.7	32.4	32.9
<b>Other Non-Current Assets</b>							
Goodwill	0.0	0.0	235.7	235.7	229.8	223.9	218.0
Deferred Financing Fees	0.0	0.0	9.0	9.0	7.7	6.4	5.1
Other Non-Current Assets	3.3	3.3	(2.7) (2)	0.6	0.6	0.6	0.6
<b>Total Other Non-Current Assets</b>	<b>3.3</b>	<b>3.3</b>		<b>245.3</b>	<b>238.1</b>	<b>230.9</b>	<b>223.7</b>
<b>TOTAL ASSETS</b>	<b>\$121.8</b>	<b>\$135.7</b>		<b>\$374.4</b>	<b>\$374.6</b>	<b>\$379.5</b>	<b>\$383.3</b>
<b>LIABILITIES &amp; EQUITY</b>							
Accounts Payable	\$22.5	\$25.1	\$0.0	\$25.1	\$28.2	\$31.4	\$34.4
Other Current Liabilities	14.2	8.0	0.0	8.0	9.0	10.1	11.0
<b>Total Current Liabilities</b>	<b>36.8</b>	<b>33.1</b>		<b>33.1</b>	<b>37.2</b>	<b>41.4</b>	<b>45.3</b>
<b>Existing Debt</b>							
(1) Existing Debt	6.6	4.0	0.0	4.0	3.2	2.4	1.6
Revolving Credit Facility	0.0	0.0	13.5	13.5	12.6	15.6	18.1
Senior Unsecured Debt A	0.0	0.0	46.0	46.0	39.1	27.6	11.5
Senior Unsecured Debt B	0.0	0.0	60.0	60.0	59.4	58.5	58.2
Subordinated Debt	0.0	0.0	100.0	100.0	100.0	100.0	100.0
<b>Total Debt</b>	<b>6.6</b>	<b>4.0</b>		<b>223.5</b>	<b>214.3</b>	<b>204.4</b>	<b>189.4</b>
Deferred Taxes	2.9	2.8	0.0	2.8	2.8	2.8	2.8
<b>TOTAL LIABILITIES</b>	<b>46.2</b>	<b>39.9</b>		<b>259.4</b>	<b>254.3</b>	<b>248.7</b>	<b>237.6</b>
<b>Preferred Equity</b>							
Preferred Equity	0.0	0.0	115.0	115.0	124.2	134.1	144.9
<b>Common Equity</b>							
Common Equity	75.5	95.9	(95.9)	0.0	(3.9)	(3.3)	0.9
<b>TOTAL EQUITY</b>	<b>75.5</b>	<b>95.9</b>		<b>115.0</b>	<b>120.3</b>	<b>130.8</b>	<b>145.7</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$121.8</b>	<b>\$135.7</b>		<b>\$374.4</b>	<b>\$374.6</b>	<b>\$379.5</b>	<b>\$383.3</b>

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Note: Operating Working Capital (excluding cash) \$60.0 \$62.6 \$69.7 \$76.3

## Operating Assumptions

Inventory Turnover	2.6 x	2.0 x		2.2 x	2.1 x	2.1 x	2.1 x
Avg. Inventory per Store (\$000)	223.5	263.5		263.5	273.7	295.2	296.0
Prepaid Expenses (% of sales)	0.4%	0.5%		0.5%	0.5%	0.5%	0.5%
Other Current Assets (% of sales)	0.3%	0.3%		0.3%	0.3%	0.3%	0.3%
Payables Days Outstanding	32.0	28.5		28.5	28.5	28.5	28.5
Other Current Liabilities (% of sales)	5.5%	2.5%		2.3%	2.5%	2.5%	2.5%
Net Working Capital (% of sales)	20.0%	21.3%		20.2%	21.1%	20.7%	20.2%

Projected Balance Sheet (dollars in millions)	Projected Year Ending Dec. 31,						
	2001	2002	2003	2004	2005	2006	2007
<b>ASSETS</b>							
Cash & Equivalents	\$5.0	\$17.5	\$47.8	\$76.3	\$104.9	\$135.4	\$170.4
Inventory	128.8	140.0	143.2	155.3	168.0	181.3	195.2
Prepaid Expenses	2.4	2.6	2.7	2.9	3.1	3.4	3.6
Other Current Assets	1.4	1.6	1.6	1.7	1.9	2.0	2.2
<b>Total Current Assets</b>	<b>137.6</b>	<b>161.7</b>	<b>195.3</b>	<b>236.2</b>	<b>277.1</b>	<b>322.1</b>	<b>371.4</b>

Net Property, Plant & Equipment	33.1	33.1	32.5	31.9	35.0	38.0	41.0
Other Non-Current Assets							
Goodwill	212.1	206.2	200.3	194.5	188.6	182.7	176.8
Deferred Financing Fees	3.9	2.6	1.3	0.0	0.0	0.0	0.0
Other Non-Current Assets	0.6	0.6	0.6	0.6	0.6	0.6	0.7
Total Other Non-Current Assets	216.6	209.4	202.2	195.0	189.1	183.2	177.4
<b>TOTAL ASSETS</b>	<b>\$387.3</b>	<b>\$404.2</b>	<b>\$430.0</b>	<b>\$463.1</b>	<b>\$501.2</b>	<b>\$543.4</b>	<b>\$589.8</b>
<b>LIABILITIES &amp; EQUITY</b>							
Accounts Payable	\$37.4	\$40.7	\$41.6	\$45.2	\$48.9	\$52.7	\$56.7
Other Current Liabilities	12.0	13.0	13.3	14.5	15.6	16.9	18.2
Total Current Liabilities	49.4	53.7	55.0	59.6	64.5	69.6	74.9
Existing Debt (1)	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Revolving Credit Facility	10.9	0.0	0.0	0.0	0.0	0.0	0.0
Senior Unsecured Debt A	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Senior Unsecured Debt B	57.6	57.0	56.4	55.8	55.2	54.6	54.0
Subordinated Debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Debt	169.3	157.0	156.4	155.8	155.2	154.6	154.0
Deferred Taxes	2.8	2.8	2.8	2.8	2.8	2.8	2.8
<b>TOTAL LIABILITIES</b>	<b>221.5</b>	<b>213.5</b>	<b>214.2</b>	<b>218.2</b>	<b>222.5</b>	<b>227.0</b>	<b>231.7</b>
Preferred Equity	156.5	169.0	182.5	197.1	212.9	229.9	248.3
Common Equity	9.5	21.7	33.4	47.8	65.8	86.5	109.8
<b>TOTAL EQUITY</b>	<b>165.8</b>	<b>190.6</b>	<b>215.9</b>	<b>244.9</b>	<b>278.7</b>	<b>316.4</b>	<b>358.1</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$387.3</b>	<b>\$404.2</b>	<b>\$430.0</b>	<b>\$463.1</b>	<b>\$501.2</b>	<b>\$543.4</b>	<b>\$589.8</b>

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Note: Operating Working Capital (excluding cash) \$83.2 \$90.4 \$92.5 \$100.3 \$108.5 \$117.1 \$126.1

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Operating Assumptions

Inventory Turnover	2.1 x	2.1 x	2.1 x	2.1 x	2.1 x	2.1 x	2.1 x
Avg. Inventory per Store (\$000)	296.1	297.3	290.8	285.9	290.3	295.1	300.2
Prepaid Expenses (% of sales)	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Other Current Assets (% of sales)	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Payables Days Outstanding	28.5	28.5	28.5	28.5	28.5	28.5	28.5
Other Current Liabilities (% of sales)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Net Working Capital (% of sales)	20.0%	22.5%	26.9%	33.1%	36.8%	40.4%	43.9%

- (1) Existing mortgage debt and capital lease obligations.  
(2) Unsecured loans due from officer.

SBC Warburg Dillon Read Inc.

Highly Confidential

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Scenario: MDP Base Case  
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Projected Cash Flow Statement (dollars in millions)	Actual		Projected Years Ending Dec. 31,									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Cash Flow from Operating Activities</b>												
Net Income to Common	\$11.5	\$(8.1)	\$(3.9)	\$ 0.6	\$ 4.2	\$ 8.4	\$12.3	\$11.7	\$14.5	\$18.0	\$20.6	\$23.3
Depreciation & Amortization	4.9	4.0	4.5	5.1	5.7	6.3	7.0	7.7	8.2	4.9	5.4	6.0
Increase/(Decrease) in Deferred Taxes	(0.4)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill Amortization	0.0	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
Financing Fee Amortization	0.0	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	0.0	0.0	0.0
Net Working Capital	0.0	9.2	9.2	9.9	10.7	11.6	12.5	13.5	14.6	15.8	17.0	18.4
Cash from Operations	16.1	12.3	17.0	22.8	27.7	33.5	39.0	40.1	44.4	44.6	49.0	53.6
<b>Changes in Working Capital</b>												
(Increase)/Decrease in Inventory	(23.1)	(15.0)	(6.4)	(11.0)	(10.2)	(10.6)	(11.2)	(3.2)	(12.1)	(12.7)	(13.3)	(13.9)
(Increase)/Decrease in Prepaid Expenses	(0.1)	(0.6)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
(Increase)/Decrease in Other Current Assets	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)
(Increase)/Decrease in Other Assets	(0.3)	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/(Decrease) in Accounts Payable	9.8	2.5	3.1	3.2	3.0	3.1	3.3	0.9	3.5	3.7	3.9	4.0

Increase/(Decrease) in Other Current Liabilities	7.9	(6.2)	1.0	1.0	0.9	1.0	1.0	0.3	1.1	1.2	1.2	1.3
Net Change in Working Capital	(5.9)	(16.7)	(2.6)	(7.1)	(6.6)	(6.9)	(7.3)	(2.1)	(7.8)	(8.2)	(8.6)	(9.0)
Total Cash Flow from Operating Activities	\$10.1	\$(4.4)	\$14.3	\$15.7	\$21.2	\$26.7	\$31.8	\$38.0	\$36.6	\$36.4	\$40.4	\$44.7
Cash Flow from Investing Activities												
Cash Expenditures		\$(4.7)	\$(5.2)	\$(5.8)	\$(6.1)	\$(6.5)	\$(7.0)	\$(7.1)	\$(7.5)	\$(8.0)	\$(8.5)	\$(9.0)
Cash Flow from Financing Activities												
Scheduled Debt Repayments												
Existing Debt			(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	0.0	0.0	0.0	0.0	0.0
Senior Unsecured Debt A			(6.9)	(11.5)	(16.1)	(11.5)	0.0	0.0	0.0	0.0	0.0	0.0
Senior Unsecured Debt B			(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Subordinated Debt			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Scheduled Debt Repayments			(8.3)	(12.9)	(17.5)	(12.9)	(1.4)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
NET CHANGE IN CASH BEFORE REVOLVER			0.8	(3.0)	(2.5)	7.2	23.4	30.3	28.4	27.8	31.3	35.0
(Repayment)/Borrowing from Revolver			(0.8)	3.0	2.5	(7.2)	(10.9)	0.0	0.0	0.0	0.0	0.0
NET CHANGE IN CASH			\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$12.5	\$30.3	\$28.4	\$27.8	\$31.3	\$35.0
REVOLVER BALANCE			12.6	15.6	18.1	10.9	0.0	0.0	0.0	0.0	0.0	0.0

SBC Warburg Dillon Read Inc.

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Scenario: MDP Base Case

Projected Asset Schedule  
(dollars in millions)

PP&E Schedule	Actual		Pro Forma		Projections Year Ending Dec. 31,						
	1996	Adjustments	1997	1998	1999	2000	2001	2002	2003	2004	2005
Beginning PP&E	\$31.1		\$30.4	\$31.0	\$31.7	\$32.4	\$32.9	\$33.1	\$33.1	\$32.5	\$31.9
Plus: Capital Expenditures	4.2		4.7	5.2	5.8	6.1	6.5	7.0	7.1	7.5	8.0
Less: Depreciation	(4.9)		(4.0)	(4.5)	(5.1)	(5.7)	(6.3)	(7.0)	(7.7)	(8.2)	(4.9)
Ending PP&E	30.4		31.0	31.7	32.4	32.9	33.1	33.1	32.5	31.9	35.0
Capital Expenditures as % of Sales	1.6%		1.5%	1.4%	1.4%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%
Depreciation as % of Sales	1.9%		1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%	1.4%	0.8%

PP&E Schedule	Projections Year Ending Dec. 31,	
	2006	2007
Beginning PP&E	\$35.0	\$38.0
Plus: Capital Expenditures	8.5	9.0
Less: Depreciation	(5.4)	(6.0)
Ending PP&E	38.0	41.0
Capital Expenditures as % of Sales	1.3%	1.2%
Depreciation as % of Sales	0.8%	0.8%

Capital Expenditure Schedule	Projections Year Ending Dec. 31,										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Number of New Stores	29	32	35	35	35	35	35	35	35	35	35
New Store-related CapX	\$50,000 per store	\$1.5	\$1.6	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8	\$1.8
Other CapX	1.0% of net sales	3.2	3.6	4.0	4.4	4.8	5.2	5.3	5.8	6.3	6.8
Total		4.7	5.2	5.8	6.1	6.5	7.0	7.1	7.5	8.0	8.5

Depreciation Schedule			Projections Year Ending Dec. 31,											
Book Life	Year	PP&E Base/ New CapX	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Asset Base														
Projected Capital Expenditures	8.0	1996	\$30.4	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8				
	10.0	1997	4.7	0.2	0.5	0.5	0.5	0.5	0.5	0.2	0.2	0.2		
		1998	5.2	0.3	0.5	0.5	0.5	0.5	0.5	0.3	0.3	0.3		
		1999	5.8		0.3	0.6	0.6	0.6	0.6	0.6	0.3	0.3		
		2000	6.1			0.3	0.6	0.6	0.6	0.6	0.6	0.3		
		2001	6.5				0.3	0.7	0.7	0.7	0.7	0.7		
		2002	7.0					0.3	0.7	0.7	0.7	0.7		
		2003	7.1						0.4	0.7	0.7	0.7		
		2004	7.5							0.4	0.8	0.8		
		2005	8.0								0.4	0.8	0.8	
		2006	8.5									0.4	0.9	
		2007	9.0										0.5	
Total Depreciation				\$4.0	\$4.5	\$5.1	\$5.7	\$6.3	\$7.0	\$7.7	\$8.2	\$4.9	\$5.4	\$6.0

Goodwill Schedule		Projections Years Ending Dec. 31,								
Amortization Period (Years)	40.0	Adjustments	Pro Forma 1997	1998	1999	2000	2001	2002	2003	2004
Beginning Gross Balance		\$ 0.0	\$ 0.0	\$235.7	\$229.8	\$223.9	\$218.0	\$212.1	\$206.2	\$200.3
Additions/(Writeoffs)		235.7	235.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization		(5.9)	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)
Ending Gross Balance			235.7	229.8	223.9	218.0	212.1	206.2	200.3	194.5

Goodwill Schedule		Pro Forma Years Ending Dec. 31,		
Amortization Period (Years)		2005	2006	2007
Beginning Gross Balance		\$194.5	\$188.6	\$182.7
Additions/(Writeoffs)		0.0	0.0	0.0
Amortization		(5.9)	(5.9)	5.9
Ending Gross Balance		188.6	182.7	176.8

Financing Fee Schedule		Projections Years Ending Dec. 31,								
Amortization Period (Years)	7.0	Adjustments	Pro Forma 1997	1998	1999	2000	2001	2002	2003	2004
Beginning Gross Balance		\$ 0.0	\$ 0.0	\$ 9.0	\$ 7.7	\$ 6.4	\$ 5.1	\$ 3.9	\$ 2.6	\$ 1.3
Additions/(Writeoffs)		9.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization		(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Ending Gross Balance			9.0	7.7	6.4	5.1	3.9	2.6	1.3	0.0

Financing Fee Schedule		Pro Forma Years Ending Dec. 31,		
Amortization Period (Years)		2005	2006	2007
Beginning Gross Balance		\$0.0	\$0.0	\$0.0
Additions/(Writeoffs)		0.0	0.0	0.0
Amortization		0.0	0.0	0.0
Ending Gross Balance		0.0	0.0	0.0

Scenario: MDP Base Case

Projected Financing Schedule  
(dollars in millions)

## Interest Rates

Existing Mortgage Debt	7.755%
Revolving Credit Facility	8.250%
Senior Unsecured Notes A	8.250%
Senior Unsecured Notes B	9.000%
Subordinated Debt	10.750%
Preferred Equity	8.000%

Financing Type	Estimated 1997	Adjustments	Pro Forma Projections Year Ending December 31,							
			1997	1998	1999	2000	2001	2002	2003	2004
<b>Existing Debt</b>										
Operating Balance	\$4.0	0.0	\$ 4.0	\$ 4.0	\$ 3.2	\$ 2.4	\$ 1.6	\$ 0.8	\$ 0.0	\$ 0.0
Principal Payment	0.0	0.0	0.0	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	0.0	0.0
Closing Balance	4.0		4.0	3.2	2.4	1.6	0.8	0.0	0.0	0.0
Interest Payment			0.3	0.3	0.2	0.2	0.1	0.0	0.0	0.0
Principal Repayment %				20.0%	20.0%	20.0%	20.0%	20.0%	0.0%	0.0%
<b>Revolving Credit Facility</b>										
Opening Balance	\$0.0	\$ 13.5	\$ 13.5	\$ 13.5	\$ 12.6	\$ 15.6	\$ 18.1	\$ 10.9	\$ 0.0	\$ 0.0
(Repayment)/Borrowing	0.0	0.0	0.0	(0.8)	3.0	2.5	(7.2)	(10.9)	0.0	0.0
Closing Balance	0.0		13.5	12.6	15.6	18.1	10.9	0.0	0.0	\$ 0.0
Average Revolver Balance	\$0.0	\$ 24.5 (1)	\$ 24.5 (1)	\$ 26.3	\$ 29.3	\$ 32.0	\$ 34.9	\$ 38.0	\$ 38.8	\$ 42.1
Inventory Growth (%)				7.1%	11.4%	9.4%	9.0%	8.7%	2.3%	8.5%
Less: Net Change in Cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.5	30.3	28.4
Net Average Revolver Balance	0.0		24.5	26.3	29.3	32.0	34.9	50.5	69.2	70.6
Interest Payment			3.1	3.2	3.6	4.0	4.1	4.6	5.7	5.8
<b>Senior Unsecured Debt A</b>										
Opening Balance	\$0.0	\$ 46.0	\$ 46.0	\$ 46.0	\$ 39.1	\$ 27.6	\$ 11.5	(\$0.0)	(\$0.0)	(\$0.0)
Principal Payment	0.0	0.0	0.0	(6.9)	(11.5)	(16.1)	(11.5)	0.0	0.0	0.0
Closing Balance	0.0		46.0	39.1	27.6	11.5	(0.0)	(0.0)	(0.0)	(0.0)
Interest Payment			3.8	3.5	2.8	1.6	0.5	(0.0)	(0.0)	(0.0)
Principal Repayment %			0.0%	15.0%	25.0%	35.0%	25.0%	0.0%	0.0%	0.0%
<b>Senior Unsecured Debt B</b>										
Opening Balance	\$0.0	\$ 60.0	\$ 60.0	\$ 60.0	\$ 59.4	\$ 58.8	\$ 58.2	\$ 57.6	\$ 57.0	\$ 56.4
Principal Payment	0.0	0.0	0.0	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Closing Balance	0.0		60.0	59.4	58.8	58.2	57.6	57.0	56.4	55.8
Interest Payment			5.4	5.4	5.3	5.3	5.2	5.2	5.1	5.0
Principal Repayment %			0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Subordinated Debt</b>										
Opening Balance	\$0.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0
Principal Payment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Closing Balance	0.0		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Interest Payment			10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8
Principal Repayment %			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Investor Preferred Equity</b>										
Opening Balance	\$0.0	\$115.0	\$115.0	\$115.0	\$124.2	\$134.1	\$144.9	\$156.5	\$169.0	\$182.5
Dividend Payment (PIK)		0.0	9.2	9.2	9.9	10.7	11.6	12.5	13.5	14.6
Additions/(Redemptions)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Closing Balance	0.0		115.0	124.2	134.1	144.9	156.5	169.0	182.5	197.1

Financing Type	Projections Year Ending December 31,		
	2005	2006	2007
<b>Existing Debt</b>			
Operating Balance	\$ 0.0	\$ 0.0	\$ 0.0
Principal Payment	0.0	0.0	0.0
Closing Balance	0.0	0.0	0.0
Interest Payment	0.0	0.0	0.0
Principal Repayment %	0.0%	0.0%	0.0%
<b>Revolving Credit Facility</b>			
Opening Balance	\$ 0.0	\$ 0.0	\$ 0.0
(Repayment)/Borrowing	0.0	0.0	0.0
Closing Balance	0.0	0.0	0.0
Average Revolver Balance	\$ 45.6	\$ 49.2	\$ 52.9
Inventory Growth (%)	8.2%	7.9%	7.7%
Less: Net Change in Cash	27.8%	31.3	35.0
Net Average Revolver Balance	73.3	80.5	88.0
Interest Payment	6.0	6.6	7.3

Senior Unsecured Debt A			
Opening Balance	(\$0.0)	(\$0.0)	(\$0.0)
Principal Payment	0.0	0.0	0.0
	-----	-----	-----
Closing Balance	(0.0)	(0.0)	(0.0)
Interest Payment	(0.0)	(0.0)	(0.0)
Principal Repayment %	0.0%	0.0%	0.0%
Senior Unsecured Debt B			
Opening Balance	\$ 55.8	\$ 55.2	\$ 54.6
Principal Payment	(0.6)	(0.6)	(0.6)
	-----	-----	-----
Closing Balance	55.2	54.6	54.0
Interest Payment	5.0	4.9	4.9
Principal Repayment %	1.0%	1.0%	1.0%
Subordinated Debt			
Opening Balance	\$100.0	\$100.0	\$100.0
Principal Payment	0.0	0.0	0.0
	-----	-----	-----
Closing Balance	100.0	100.0	100.0
Interest Payment	10.8	10.8	10.8
Principal Repayment %	0.0%	0.0%	0.0%
Investor Preferred Equity			
Opening Balance	\$197.1	\$212.9	\$229.9
Dividend Payment (PIK)	15.8	17.0	18.4
Additions/(Redemptions)	0.0	0.0	0.0
	-----	-----	-----
Closing Balance	212.9	229.9	248.3

(1) Twelve months ending 6/30/97.

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Leveraged Recapitalization Analysis  
(dollars in millions)

	Cash Dividend per Share				
	\$12.00	\$13.00	\$14.00	\$15.00	\$16.00
Total Cash Dividend	\$155.8	\$168.8	\$181.8	\$194.7	\$207.7
1997E Net Income	20.4	20.4	20.4	20.4	20.4
Less: After Tax Interest Expense on Debt	9.6	10.4	11.2	12.0	12.8
Pro Forma Net Income	10.8	10.0	9.2	8.4	7.6
Earnings per Share	\$ 0.83	\$ 0.77	\$ 0.71	\$ 0.64	\$ 0.58
1997E Price/Earnings Multiple (1)	15.2 x	15.2	15.2	15.2	15.2
Implied Trading Price Per Share	\$12.61	\$11.67	\$10.74	\$ 9.80	\$ 8.87
Plus: Dividend per Share	12.0	13.0	14.0	15.0	16.0
Implied Total Value Per Share	\$24.61	\$24.67	\$24.74	\$24.80	\$24.87
1997E EBIT/Interest	3.6 x	3.3 x	3.1 x	2.9 x	2.7 x
1997E EBITDA/Interest	4.0	3.8	3.5	3.4	3.2
1997E Total Debt/EBITDA	4.03	4.25	4.68	4.99	5.30

(1) Multiple of 1997E earnings prior to 8/14/97 acquisition announcement.

Selected Comparable Industry Acquisitions

Date Announced	Acquiror/Target	Business of Target	Form	Offer for Assets (\$ mil)
07/03/97	BAA PLC Duty Free International Inc.	Owns and operates duty free shops	Merger	\$736.4
11/27/96	J.W. Childs (Investor Group) Central Tractor	Tractor and hardware stores	NA	NA
11/12/96	Leonard Green Partners (Investor Group) Leslie's Poolmart	Pool supply stores	Merger	133.8
10/21/96	Brylane LP (The Limited, Inc.) Chadwick's of Boston Ltd. (TXJ Co.)	Discount women's clothing catalog unit of discount retailer	Merger	388.3

09/09/96	Phar-Mar, Inc. ShopKo Stores, Inc.	Owns and operates variety stores	Stock swap	923.7
03/25/96	Consolidated Stores Corp Kay-Bee Toy & Hobby Shops, Inc.	Owns and operates toy and hobby stores	Purchase of assets	315.0
01/16/96	Dollar Tree Stores, inc. Terrific Promotions, Inc.	Owns and operates discount variety stores	Purchase of stock	62.8
10/13/95	TJX Companies Inc Marshall's Inc. (Melville Corp)	Operates family clothing stores	Purchase of stock	589.9
08/15/95	Investor Group TJX Companies Inc-Hit or Miss	Chain of discount women's clothing stores	Purchase of assets	13.0
10/27/94	Investor Group Family Dollar Stores	Owns and operates discount stores	Open market purchase	NA
06/16/93	CostCo Wholesale Corp. Price Co.	Owns and operates membership warehouses	Merger	2,224.7
04/16/92	Value City Department Stores Gee Bee Department Stores	Owns and operates discount department stores	Purchase of assets	23.1

Date Announced	Acquiror/Target	Business of Target	Form	Offer for Assets to:			
				LTM Revenue	LTM EBIT	LTM EBITDA	Latest Net Assets
07/03/97	BAA PLC Duty Free International Inc.	Owns and operates duty free shops	Merger	1.26 x	18.22 x	13.34 x	2.54 x
11/27/96	J.W. Childs (Investor Group) Central Tractor	Tractor and hardware stores	NA	0.6	11.8	9.3	NA
11/12/96	Leonard Green Partners (Investor Group) Leslie's Poolmart	Pool supply stores	Merger	0.7	13.1	9.2	1.9
10/21/96	Brylane LP (The Limited, Inc.) Chadwick's of Boston Ltd. (TJX Co.)	Discount women's clothing catalog unit of discount retailer	Merger	0.81	11.35	NA	3.14
09/09/96	Phar-Mar, Inc. ShopKo Stores, Inc.	Owns and operates variety stores	Stock swap	0.45	9.56	6.03	1.10
03/25/96	Consolidated Stores Corp Kay-Bee Toy & Hobby Shops, Inc.	Owns and operates toy and hobby stores	Purchase of assets	0.29	17.70	NA	1.16
01/16/96	Dollar Tree Stores, inc. Terrific Promotions, Inc.	Owns and operates discount variety stores	Purchase of stock	0.55	13.35	11.11	3.92
10/13/95	TJX Companies Inc Marshall's Inc. (Melville Corp)	Operates family clothing stores	Purchase of stock	0.2	19.1	6.7	0.9
08/15/95	Investor Group TJX Companies Inc-Hit or Miss	Chain of discount women's clothing stores	Purchase of assets	NA	NA	NA	NA
10/27/94	Investor Group Family Dollar Stores	Owns and operates discount stores	Open market purchase	0.49	6.17	5.29	1.98
06/16/93	CostCo Wholesale Corp. Price Co.	Owns and operates membership warehouses	Merger	0.28	11.00	8.25	2.56
04/16/92	Value City Department Stores Gee Bee Department Stores	Owns and operates discount department stores	Purchase of assets	0.16	6.42	4.05	NM

Date Announced	Acquiror/Target	Business of Target	Form	Offer for Equity to:		
				Offer for Equity (\$ mil)	LTM Net Income	Book Value
07/03/97	BAA PLC Duty Free International Inc.	Owns and operates duty free shops	Merger	\$675.3	30.85 x	2.95 x
11/27/96	J.W. Childs (Investor Group) Central Tractor	Tractor and hardware stores	NA	NA	20.8	1.7
11/12/96	Leonard Green Partners (Investor Group) Leslie's Poolmart	Pool supply stores	Merger	100.7	23.0	2.6
10/21/96	Brylane LP (The Limited, Inc.) Chadwick's of Boston Ltd. (TJX Co.)	Discount women's clothing catalog unit of discount retailer	Merger	328.0	25.43	5.17
09/09/96	Phar-Mar, Inc. ShopKo Stores, Inc.	Owns and operates variety stores	Stock swap	625.5	16.12	1.48
03/25/96	Consolidated Stores Corp Kay-Bee Toy & Hobby Shops, Inc.	Owns and operates toy and hobby stores	Purchase of assets	NA	NA	NA
01/16/96	Dollar Tree Stores, inc. Terrific Promotions, Inc.	Owns and operates discount variety stores	Purchase of stock	54.6	13.28	6.94
10/13/95	TJX Companies Inc Marshall's Inc. (Melville Corp)	Operates family clothing stores	Purchase of stock	599.3	39.2	1.0
08/15/95	Investor Group TJX Companies Inc-Hit or Miss	Chain of discount women's clothing stores	Purchase of assets	13.0	NA	NA

10/27/94	Investor Group Family Dollar Stores	Owns and operates discount stores	Open market purchase	24.5	9.95	1.98
06/16/93	CostCo Wholesale Corp. Price Co.	Owns and operates membership warehouses	Merger	1,666.2	15.05	1.92
04/16/92	Value City Department Stores Gee Bee Department Stores	Owns and operates discount department stores	Purchase of assets	NA	NA	NA

Source: Securities Data Company

Average	0.53 x	12.52 x	8.14 x	2.14 x	21.52 x	2.86 x
Median	0.49	11.80	8.25	1.96	20.80	1.98
High	1.26	19.09	13.34	3.92	39.17	6.94
Low	0.16	6.17	4.05	0.94	9.95	1.48
# in calc.	11	11	9	9	9	9

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Weighted Average Cost of Capital Calculation  
(dollars in millions)

Estimation of Unlevered Asset Beta

	Equity Beta(1)	Net Debt (D)	Market Value Equity (ME)	D/(D+ME)	ME/(D+ME)	Unlevered Asset Beta
Consolidated Stores	1.30 x	\$381.3	\$3,370.1	10.2%	89.8%	1.19 x
MacFrugal's Bargain-Closeouts	0.90	\$ 3.0	\$ 745.1	0.4%	99.6%	0.90
Mazel Stores	1.28	\$ 2.5	\$ 210.9	1.2%	98.8%	1.27
Ross Stores	1.25	\$ 3.0	\$1,584.0	0.2%	99.8%	1.25
TJX Companies	1.50	\$ 26.0	\$4,654.8	0.6%	99.4%	1.49
						1.22

Estimation of Weighted Average Cost of Capital

D/(D+ME)		0.0%	10.0%	20.0%
Implied Equity Beta	(2)	1.22 x	1.32 x	1.43 x
Average Yield 3-Month T-Bills (9/1/97)		5.21%	5.21%	5.21%
Average Yield 30-Year T-Bonds (9/1/97)		6.61%	6.61%	6.61%
Cost of Equity over T-Bills	(3)	18.6%	19.7%	20.9%
Cost of Equity over T-Bonds	(4)	18.3%	19.3%	20.3%
Average Cost of Equity		18.4%	19.5%	20.6%
After-Tax Cost of Debt	(5)	5.40%	5.40%	5.40%
Weighted Average Cost of Capital				
Based on T-Bills		18.6%	18.3%	17.8%
Based on T-Bonds		18.3%	17.9%	17.3%
Average		18.4%	18.1%	17.5%

(1) Source: Value Line.

(2) Assumes a debt beta of 0.17 as given by Reilly and Joehnk in The Journal of Finance, December 1976, Table 1, p. 1394. Unlevered asset beta calculated



as:  $[(D/(D+ME)) * \text{Debt Beta} + (ME/(D+ME)) * (\text{Equity Beta})]$ . Equity beta under the hypothetical capital structures calculated as:  $[\text{Asset Beta} + (D/ME) * (\text{Asset Beta} - \text{Debt Beta})]$ .

- (3) Cost of equity over T-bills calculated as:  $[(\text{Equity Beta} * (8.90\% + 2.06)) + 5.21\%]$ . The 8.90% figure is the short-horizon expected equity risk premium (large company stock total returns minus U.S. Treasury bill total returns; the 2.06% figure is the expected low-capitalization equity size premium for deciles 7-8; averages based on annual data from 1926 to 1996) according to SBBI 1997 Yearbook (Ibbotson Associates). The 5.21% figure, our proxy for the risk-free rate, is the average yield on 30-Year Treasury Bills on 9/1/97.
- (4) Cost of equity over T-bonds calculated as:  $[(\text{Equity Beta} * (7.50\% + 2.06)) + 6.61\%]$ . The 7.50% figure is the long-horizon expected equity risk premium (large company stock total returns minus long-term government bond income returns; the 2.06% figure is the expected low-capitalization equity size premium for deciles 7-8; averages based on annual data from 1926 to 1996). according to SBBI 1997 Yearbook (Ibbotson Associates). The 6.61% figure, our proxy for the risk-free rate, is the average yield on 30-Year Treasury Bonds on 9/1/97.
- (5) Pretax costs of debt were taken as the average yields for different classes of bonds on Bloomberg on 9/1/97. These were taxed at a rate of 40.0%, which approximates the average Federal and State tax rates for the period beginning 1/1/93 under the Tax Reform Act of 1993.