

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934.

For the quarterly period ended August 27, 1994

OR

 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934.

For the transition period from [] to []

Commission File Number 1-7832

PIER 1 IMPORTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)75-1729843
(I.R.S. Employer
Identification No.)301 Commerce Street, Suite 600, Fort Worth, Texas 76102
(Address of principal executive offices including zip code)

(817) 878-8000

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes . No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares outstanding as of September 23, 1994
Common Stock, \$1.00 par value	37,636,671

Item 1. Financial Statements.

PIER 1 IMPORTS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	Aug. 27, 1994	Aug. 28, 1993	Aug. 27, 1994	Aug. 28, 1993
Net sales	\$185,403	\$181,441	\$346,889	\$340,034
Operating costs and expenses:				
Cost of sales (including buying and store occupancy)	115,170	115,607	211,305	212,510
Selling, general and administrative expenses	50,436	47,235	100,624	94,333
Depreciation and amortization	3,927	3,932	7,780	7,626
	169,533	166,774	319,709	314,469
Operating income	15,870	14,667	27,180	25,565
Interest income	419	706	724	1,340

Interest expense	(3,735)	(5,018)	(7,339)	(9,928)
	-----	-----	-----	-----
Income before income taxes	12,554	10,355	20,565	16,977
Provision for income taxes	3,898	3,012	6,374	4,932
	-----	-----	-----	-----
Net income	\$ 8,656	\$ 7,343	\$ 14,191	\$ 12,045
	=====	=====	=====	=====
Earnings per share:				
Primary	\$.23	\$.20	\$.38	\$.32
	=====	=====	=====	=====
Fully diluted	\$.22	\$.19	\$.36	\$.31
	=====	=====	=====	=====
Average shares outstanding during period, including common stock equivalents:				
Primary	37,758	37,526	37,734	37,598
	=====	=====	=====	=====
Fully diluted	44,012	43,789	43,989	43,854
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

PIER 1 IMPORTS, INC.
CONSOLIDATED BALANCE SHEET
(Dollars in thousands except share data)
(Unaudited)

	August 27, 1994	February 26, 1994
	-----	-----
ASSETS		
Current assets:		
Cash, including temporary investments of \$9,942 and \$7,466, respectively	\$ 22,633	\$ 17,123
Accounts receivable, net	60,101	51,722
Inventories	214,535	219,646
Other current assets	45,748	32,901
	-----	-----
Total current assets	343,017	321,392
Property, net	109,372	111,510
Other assets	30,341	30,400
	-----	-----
	\$482,730	\$463,302
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 14,666	\$ 2,639
Accounts payable and accrued liabilities	83,905	89,772
	-----	-----
Total current liabilities	98,571	92,411
Long-term debt	142,763	145,231
Deferred income taxes	2,827	3,407
Other non-current liabilities	25,655	21,160
Stockholders' equity:		
Common stock, \$1.00 par, 100,000,000 shares authorized, 37,709,000 and 37,617,000 outstanding, respectively	37,709	37,617
Paid-in capital	93,064	92,670
Retained earnings	88,907	76,597
Cumulative translation adjustments	(958)	(964)
Less - 108,000 and 98,000 common shares in treasury, at cost, respectively	(906)	(884)
Less - subscriptions receivable and unearned compensation	(1,035)	(1,369)
Less - unrealized loss on marketable equity securities	(3,867)	(2,574)
	-----	-----
	212,914	201,093
	-----	-----
	\$482,730	\$463,302
	=====	=====

translation
adjustments

6

6

Unrealized loss on
marketable equity
securities

(1,293) (1,293)

Cash dividends,
declared or paid

(1,878)

(1,878)

Net income

14,191

14,191

Balance August 27,
1994

\$37,709 \$93,064

\$88,907

\$(958)

\$(906)

\$(1,035)

\$(3,867)

\$212,914

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The accompanying notes are an integral part of these financial statements.

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PIER 1 IMPORTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The accompanying unaudited financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended February 26, 1994. All adjustments that are, in the opinion of management, necessary for a fair statement of the financial position as of August 27, 1994, and the results of operations and cash flows for the interim periods ended August 27, 1994 and August 28, 1993 have been made and consist only of normal recurring adjustments. The results of operations for the three and six months ended August 27, 1994 and August 28, 1993 are not indicative of results to be expected for the fiscal year because of, among other things, seasonality factors in the retail business.

Note 1 - Earnings per share

Primary earnings per share was determined by dividing net income by the applicable average shares outstanding. Fully diluted earnings per share amounts are similarly computed, but include the effect, when dilutive, of the Company's potentially dilutive securities. To determine fully diluted net income, interest and debt issue costs, net of any applicable taxes, have been added back to net income to reflect assumed conversions.

Primary average shares include common shares outstanding and common stock equivalents attributable to outstanding stock options. In addition to common and common equivalent shares, fully diluted average shares include common shares that would be issuable upon conversion of the Company's convertible securities.

	Three Months Ended		Six Months Ended	
	Aug. 27, 1994	Aug. 28, 1993	Aug. 27, 1994	Aug. 28, 1993
	-----	-----	-----	-----
	(in thousands except per share amounts)			
Net income	\$8,656	\$7,343	\$14,191	\$12,045
Assumed conversion of 6 7/8% subordinated notes as of date of issuance, April 1992:				
Plus interest and debt issue costs, net of tax	839	853	1,678	1,705
	-----	-----	-----	-----
Fully diluted net income	\$9,495	\$8,196	\$15,869	\$13,750
	=====	=====	=====	=====
Average shares outstanding during period, including common stock equivalents:				
Primary	37,758	37,526	37,734	37,598
Plus assumed exercise of stock options	4	13	5	6
Plus assumed conversion of 6 7/8% subordinated notes to common stock as of date of issuance, April 1992	6,250	6,250	6,250	6,250
	-----	-----	-----	-----
Fully diluted	44,012	43,789	43,989	43,854

Earnings per share:	=====	=====	=====	=====
Primary	\$.23	\$.20	\$.38	\$.32
	=====	=====	=====	=====
Fully diluted	\$.22	\$.19	\$.36	\$.31
	=====	=====	=====	=====

PART I

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Pier 1 Imports, Inc. ("the Company") recorded net sales of \$185.4 million and \$346.9 million for the second quarter and six-month periods of fiscal year 1995, increases of 2.2% and 2.0%, respectively, compared to the same periods in fiscal 1994. The percentage change in sales was adversely affected by the elimination of the sales from 50 stores that are scheduled to close under the store-closing program, which was established at the end of fiscal 1994. Same-store sales increased 2.7% during the second quarter of fiscal 1995 and 3.2% during the first half of fiscal 1995 compared to the same periods in fiscal 1994. The increase in same-store sales during the first half of 1995 over the corresponding prior year period resulted from an increase of 11.4% in hard goods sales such as furniture and decorative accessories, offset partially by a decline of 20.9% in soft goods sales that include clothing, jewelry, and accessories. Hard goods and soft goods sales contribute approximately 90% and 10% of total sales, respectively, for the current period. The Company closed 16 of the 50 stores included in the store-closing program and opened 14 stores in the first six months of fiscal 1995. Store count totalled 600 at the end of the second quarter of fiscal 1995 compared to 612 at the end of the same period a year ago.

Gross profit, after related buying and store occupancy costs, as a percentage of sales, increased by 1.6% to 37.9% for the second quarter and by 1.6% to 39.1% for the first half of fiscal 1995 compared to the same periods of the prior year. The increases resulted primarily from lower store occupancy costs and improved margins in the furniture departments partially offset by promotional discounts. These occupancy costs as a percentage of sales improved by 0.7% for the second quarter and by 0.8% for the six-month period of fiscal 1995 compared to the same periods last year due primarily to the elimination of the results of underperforming stores in the store-closing program.

Selling, general, and administrative expenses, expressed as a percentage of sales, increased by 1.2% to 27.2% in the second quarter of fiscal 1995 and by 1.3% to 29.0% in the first half of fiscal 1995 versus fiscal 1994 comparable periods. In dollars, expenses increased \$3.2 million during the second quarter and \$6.3 million during the six-month period of fiscal 1995 over the same periods in fiscal 1994. Fiscal 1995 second quarter expenses increased primarily due to higher marketing costs and increased management bonus accruals. The fiscal 1995 six-month period was also affected by these increased costs offset partially by lower net credit card expenses and the elimination of the results of stores in the store-closing program.

Interest expense declined \$1.3 million during the second quarter and \$2.6 million during the first half of fiscal 1995 over the same periods in fiscal 1994 due to lower effective rates.

The Company's effective tax rate for the six-month period of fiscal 1995 was 31.0% compared to 29.0% for the same period of fiscal 1994.

Operating income improved \$1.2 million to \$15.9 million during the fiscal 1995 second quarter and improved \$1.6 million to \$27.2 million for the first half of fiscal 1995 over the same periods in fiscal 1994 due to higher sales and improved margins. Net income aggregated to \$8.7 million or \$.23 per share (primary) for the second quarter of fiscal 1995 compared to \$7.3 million or \$.20 per share (primary) for the second quarter of fiscal 1994. For the six-month period of fiscal 1995, net income aggregated \$14.2 million or \$.38 per share (primary) compared to \$12.0 million or \$.32 per share (primary) for the six-month period of fiscal 1994.

Liquidity and Capital Resources

Cash provided by operating activities was \$17.8 million during the first half of fiscal 1995 compared to a \$17.0 million use of cash by operating activities during the same period in fiscal 1994. This was due primarily to slower inventory growth planned in fiscal 1995, a slowing of the Pier 1 credit card receivable growth in the first half of fiscal 1995 compared to fiscal 1994, and a net earnings improvement in fiscal 1995 over fiscal 1994. Cash used in investing activities during the first half of fiscal 1995 was \$20.5 million compared to \$10.4 million for the same period in fiscal 1994. The \$20.5 million primarily consisted of (i) \$9.6 million in lines of credit for Sunbelt Nursery Group, Inc. ("Sunbelt") which previously had been guaranteed by the Company, (ii) capital expenditures for planned growth, (iii) funds expended to implement the store-closing program and (iv) franchise locations repurchased by the Company. Cash from financing activities included \$12 million of short-term borrowings in fiscal 1995 compared to a pay-down of short-term debt in fiscal 1994 of \$16 million. Additionally, the Company made a \$2.5 million sinking fund payment on its long-term debt in the second quarter of fiscal 1995.

During the first six months of fiscal 1995, the Company paid cash dividends aggregating \$0.05 per share. During the second quarter of fiscal 1995, the Board of Directors voted an increase in the quarterly cash dividend to \$0.03 per share from the previously paid \$0.025 per share. This dividend will be payable on November 16, 1994 to shareholders of record on November 2, 1994.

Cash requirements of the store-closing program are estimated to aggregate \$16 million in fiscal 1995 and will be funded through working capital and operations. Through the first half of fiscal 1995, 16 stores have been closed resulting in \$1 million of cash expenditures for lease terminations and operating losses. The store-closing reserve balance was \$18 million at August 27, 1994, which reflects the cash expenditures discussed above as well as \$2 million of inventory and fixed asset write-offs and is consistent with the Company's expectations for closings during the first half of fiscal 1995. The majority of the remaining stores are planned to close after this fiscal year's Christmas selling season. A total of 50 new stores are planned for the 1995 fiscal year, of which 14 stores were opened during the first half of fiscal 1995. Financing for new store land and building costs will be provided by operating leases. Related inventory and fixtures are estimated to cost approximately \$14 million, which will be funded by operations, working capital and bank lines of credit.

The minimum operating lease commitments for fiscal 1995 are \$45 million, and the present value of all existing minimum operating lease commitments is \$352 million.

Working capital requirements will continue to be provided by cash and \$168.5 million in short-term revolving lines of credit. Under these lines of credit, \$12 million was outstanding in the form of short-term borrowings and an additional \$48 million was committed under letters of credit at August 27, 1994. The Company's current ratio at the end of the second quarter of fiscal 1995 was 3.5 to 1 compared to 3.5 to 1 at fiscal year end 1994 and 4.2 to 1 at the second quarter of fiscal 1994.

In connection with the Company's sale of its investment in Sunbelt to General Host Corporation, the Company has provided Sunbelt lines of credit amounting to \$11.6 million which were originally due April 28, 1994, and were outstanding at August 27, 1994. To enable Sunbelt to raise funds to refinance this debt, the Company has granted Sunbelt extensions of the credit facility until October 15, 1994. In order to meet its repayment obligations, Sunbelt has stated that it must obtain replacement financing. The Company will continue to support Sunbelt in its efforts to refinance. The Company is also committed and has provided Sunbelt \$22.8 million of non-revolving store development financing which expires in stages from October 1994 to October 1995, and the Company guarantees approximately \$4.5 million of Sunbelt's other store lease obligations.

PART II

Item 2. Change in Securities.

The Board of Directors amended the Company's bylaws to require advance notice of shareholder nominations for election to the Board of Directors and shareholder proposals of business to be considered

at an annual meeting of shareholders.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits See Exhibit Index.

(b) Reports on Form 8-K None.

SIGNATURES

Pursuant to the requirements 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.

PIER 1 IMPORTS, INC. (Registrant)

Date: October 11, 1994 By: /s/ Clark A. Johnson
Clark A. Johnson, Chairman of the Board
and Chief Executive Officer
(Principal Executive Officer)

Date: October 11, 1994 /s/ Robert G. Herndon
Robert G. Herndon, Executive Vice
President and Chief Financial Officer
(Principal Financial Officer)

Date: October 11, 1994 /s/ Susan E. Barley
Susan E. Barley, Vice President and
Controller
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
3(ii)	Bylaws of Registrant, Restated as of September 19, 1994
10.11.3	Fourth Amendment to Revolving Credit Loan Agreement dated as of August 14, 1992, among Registrant, Pier 1 Imports (U.S.), Inc. and Bank One, Texas, N.A.
10.13.1	Third Amendment to Lease Guarantee dated as of December 30, 1992 between Registrant and Pier Group, Inc.
10.14.1	Third Amendment to Lease Guarantee dated as of December 30, 1992 between Registrant, Pier 1 Imports (U.S.), Inc. and Pier Group, Inc.
10.15.4	Third Extension Agreement dated September 21, 1994 between Registrant, Pier-SNG, Inc. and Sunbelt
27	Financial Data Schedule for Six-month Period

(Restated as of September 19, 1994)

BYLAWS
OF
PIER 1 IMPORTS, INC.

ARTICLE I.

OFFICES

Section 1. The principal office shall be located in the City of Fort Worth, County of Tarrant, State of Texas.

Section 2. The corporation may also have offices at such other places within or without the State of Delaware as the Board of Directors may from time to time determine, or as the business of the corporation may require.

ARTICLE II.

MEETINGS OF SHAREHOLDERS

Section 1. Meetings of the shareholders shall be held at such place within or without the State of Delaware as shall be specified in the notice of the meeting or in a waiver thereof. If no place is specified in such notice or waiver, then meetings may be held at the principal office of the corporation in the State of Texas.

Section 2. An annual meeting of the shareholders, commencing in the year 1987, shall be held on the date designated by the Board of Directors in each year. At such meeting the shareholders entitled to vote thereat shall elect a Board of Directors by a majority vote present in person or represented by proxy, and may transact such other business as may properly be brought before the meeting.

Section 3. Special meetings of the shareholders may be called by the Board of Directors, the President or upon written request of the holders of at least twenty-five percent (25%) of the outstanding common stock.

Section 4. Whenever shareholders are required or permitted to take any action at a meeting, a written or printed notice stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or person calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, and directed to the shareholder at his address as it appears on the stock transfer books of the corporation.

Section 5. Business transacted at any special meeting shall be confined to the purposes stated in the notice thereof.

Section 6. The holders of a majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at meetings of shareholders except as otherwise provided by statute, by the Certificate of Incorporation or these Bylaws. If, however, a quorum shall not be present or represented at any meeting of the shareholders, the shareholders present in person, or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present and represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which may have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 7. The affirmative vote of the holders of a majority of the shares entitled to vote and represented at a meeting at which a quorum is present shall be the act of the shareholders, unless the vote of a greater number is required by statute, by the Certificate of Incorporation or these Bylaws.

Section 8. Each shareholder shall be entitled to one (1) vote of each share of stock held by such shareholder, unless otherwise provided by the Certificate of Incorporation or statute.

Section 9. Each shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after eleven (11) months from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally.

Section 10. The officer who has charge of the stock transfer books of the corporation shall make, at least ten (10) days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and number of shares held by each, which list, for a period of not less than ten (10) days prior to such meeting, shall be open for examination at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held, and shall be subject to inspection by any shareholder at any time during ordinary business hours for any purpose germane to the meeting. Such list shall also be produced and kept open at the time and place of the meeting, and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original stock transfer books shall be the only evidence as to who are the shareholders entitled to examine such list or transfer book or to vote in person or by proxy at any meeting of shareholders.

Section 11. Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders pursuant to the corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) by any shareholder of the corporation who is a shareholder of record at the time of giving of notice provided for in this Section, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Section.

For nominations or other business to be properly brought by a shareholder before an annual meeting, the shareholder must have given timely notice thereof in writing to the Secretary of the corporation, and such business must be a proper subject for shareholder action under the Delaware General Corporation Law. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made; and provided further, however, that in the event that the number of directors to be elected to the Board of Directors of the corporation shall be increased from the number elected at the preceding annual or special meeting and there shall have been no public announcement specifying the size of the increased Board of Directors made by the corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if such notice shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation. "Public announcement" as used herein shall mean disclosure in a press release

reported by the Dow Jones News Service or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). A shareholder's notice shall set forth (i) as to each person whom the shareholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (ii) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (A) the name and address of such shareholder, as they appear on the corporation's books, and of such beneficial owner, and (B) the class and number of shares of the corporation that are owned beneficially and of record by such shareholder and such beneficial owner.

Only such persons who are nominated in accordance with the procedures set forth in this Section shall be eligible for election as directors at any meeting of shareholders. Only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting shall have been made in accordance with the procedures set forth in this Section and, if any proposed nomination or business shall not be in compliance with this Section, to declare that such defective nomination or proposal shall be disregarded.

Notwithstanding the foregoing provisions of this Section, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section. Nothing in this Section shall affect any rights or requirements of shareholders regarding the inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 12. Any action required by statute to be taken at any annual or special meeting of the shareholders, or any action which may be taken at any annual or special meeting of the shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the shareholders having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

ARTICLE III.

DIRECTORS

Section 1. The number of directors of the corporation shall be not less than three (3) nor more than nine (9), as fixed from time to time by the Board of Directors or the shareholders of this corporation. Directors may be elected by a voice vote or by a show of hands unless a shareholder entitled to vote objects, in which case written ballots shall be used. The directors shall be elected at the annual meeting of the shareholders, except as otherwise provided in these Bylaws, and each director elected shall hold office until his successor is elected and qualified. Directors need not be residents of the State of Delaware or shareholders of the corporation.

Section 2. Any director or the entire Board of Directors may be removed with or without cause by the affirmative vote of the holders of a majority of the shares entitled to vote at an election of directors.

Section 3. Any vacancy occurring in the Board of Directors and newly created directorships resulting from any increase in the authorized number of directors elected by all of the shareholders having the right to vote as a single class may be filled by the affirmative vote of a majority of the directors then in office, although less than a quorum of the Board of Directors, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 4. If at any time, by reason of death or resignation or other cause, a corporation shall have no directors in office, then any officer or any shareholder or an executor, administrator, trustee or guardian of a shareholder, or other fiduciary entrusted with like responsibility for the person or estate of a shareholder, may call a special meeting of shareholders in accordance with the provisions of the Certificate of Incorporation or these Bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in the Delaware General Corporation Law.

Section 5. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole Board of Directors (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any shareholder or shareholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the Delaware General Corporation Law.

Section 6. Unless otherwise provided in the Certificate of Incorporation by these Bylaws, when one (1) or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office for the unexpired term of his predecessor in office.

Section 7. The business and affairs of the corporation shall be managed by or under the direction of its Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the shareholders.

Section 8. The Board of Directors may hold its meetings and have an office or offices within or without the State of Delaware.

Section 9. The annual meeting of the Board of Directors for the purpose of electing officers and transacting such other business as may be brought before the meeting shall be held each year immediately following the annual meeting of shareholders. No notice of such meeting shall be necessary in order legally to constitute the meeting, providing a quorum shall be present.

Section 10. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board.

Section 11. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors or the President, and shall be called by the Secretary on the written request of two (2) directors. Written notice of special meetings of the Board of Directors shall be given to each director at least three (3) days before the date of the meeting. Notice by mail shall be deemed to be given at the time when same shall be mailed, postage prepaid. Notice to directors may also be given by telegram. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 12. A majority of the total number of directors shall constitute a quorum for the transaction of business, and the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless a greater number is required by statute, the Certificate of Incorporation or elsewhere in these Bylaws. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 13. No contract or transaction between the corporation and one (1) or more of its directors or officers, or between the corporation and any other corporation, partnership, association or other organization in which one (1) or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason,

or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if such interested director or officer complies with the statutory disclosure requirements. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 14. The Board of Directors may, by resolution passed by a majority of the Board of Directors, designate one (1) or more committees, each committee to consist of one (1) or more directors. The Board of Directors may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided by the resolution of the Board of Directors, or in these Bylaws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, except as otherwise provided by statute.

Section 15. Any action required or permitted to be taken at a meeting of the Board of Directors or any committee may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the Board of Directors or committee, as the case may be, and the writing or writings are filed with the minutes of proceedings of the Board of Directors, or committee.

Section 16. Members of the Board of Directors or any committee may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and participation in such a meeting shall constitute presence in person at the meeting.

Section 17. The Board of Directors shall have the authority to fix the compensation of directors.

ARTICLE IV.

NOTICES

Section 1. Whenever any notice is required to be given to any person under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein shall be equivalent to the giving of such notice.

Section 2. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when a person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE V.

OFFICERS

Section 1. The officers of the corporation shall consist of a President and a Secretary and may include a Chairman of the Board, one or more Vice Presidents and a Treasurer, each of whom shall be elected by the Board of Directors. Any number of offices may be held by the same person unless the Certificate of Incorporation otherwise provides.

Section 2. The officers of the corporation shall be elected by the Board of Directors in such manner and shall hold their offices for such terms as are prescribed herein or determined by the Board of Directors.

Section 3. Such other officers and assistant officers and agents as may be deemed necessary may be elected or appointed by the Board of Directors.

Section 4. Any officer of the corporation may be removed at any time, with or without cause, by the Board of Directors.

Section 5. The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors.

Section 6. Each officer of the corporation shall hold office until his successor is elected and qualified or until his earlier resignation or removal. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise shall be filled by the Board of Directors or other governing body.

Chairman of the Board

Section 7. The Chairman of the Board, if one has been appointed, shall perform such duties as may be delegated by the Board of Directors. The Board of Directors may designate whether the Chairman of the Board, if such an officer shall have been appointed, or the President, shall be the chief executive officer of the corporation. In the absence of a contrary designation, the President shall be the chief executive officer. The Chairman of the Board, if one has been appointed, or the President shall preside at all meetings of the shareholders and the Board of Directors.

President

Section 8. Unless the Board of Directors shall otherwise delegate such duties, the President shall have general and active management of the business of the corporation, and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed, and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation. The President shall have such powers and duties as usually pertain to such office, except as the same may be modified by the Board of Directors.

Vice President

Section 9. The Vice Presidents, in the order of their seniority, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President. They shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe or as the President may from time to time delegate.

Secretary

Section 10. The Secretary or other officer appointed by the Board of Directors shall attend meetings of the Board of Directors and shareholders, and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose. The Secretary shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. He shall keep in safe custody the seal of the corporation, and, when authorized by the Board of Directors, affix the same to any instrument requiring it, and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer, an Assistant Secretary, or an Assistant Treasurer.

Section 11. The Assistant Secretaries, in the order of their seniority, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the Secretary, perform the duties and exercise the power of the Secretary. They shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe or as the President may from time to time delegate.

Treasurer

Section 12. The Treasurer shall have the custody of the corporate funds and securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors.

Section 13. The Treasurer shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer, and of the financial condition of the corporation. The Treasurer shall perform such other duties and have such other authority and powers as the Board of Directors may from time to time prescribe or as the President may from time to time delegate.

Section 14. If required by the Board of Directors, the Treasurer shall give the corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 15. The Assistant Treasurers, in the order of their seniority, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. They shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe or the President may from time to time delegate.

ARTICLE VI.

CERTIFICATE FOR SHARES

Section 1. The shares of the corporation shall be represented by certificates, provided that the Board of Directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the Chairman or Vice Chairman of the Board of Directors, or the President or Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation representing the number of shares registered in certificate form.

Section 2. Any or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. The corporation may issue a new certificate of stock or uncertificated shares in place of any certificate therefore issued by it, alleged to have been stolen or destroyed, and the corporation may require the owner of the lost, stolen, or destroyed certificate, or his legal representative to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

Section 4. Shares of stock of the corporation shall be transferred only on the books of the corporation upon surrender to the corporation of the certificate or certificates representing the shares to be transferred accompanied by an assignment in writing of such shares properly executed by the shareholder of record of his duly authorized attorney-in-fact and with all taxes on the transfer having been paid. The corporation may refuse any requested transfer until furnished evidence satisfactory to it that such transfer is proper. Upon the surrender of a certificate for transfer of stock, such certificate shall at once be conspicuously marked on its face "Cancelled" and filed with the permanent stock records of the corporation. The Board of Directors may make such additional rules concerning the issuance, transfer and registration of stock and requirements regarding the establishment of lost, destroyed or wrongfully taken stock certificates as it deems appropriate.

Section 5. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent in writing to corporate action without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If no record date is fixed:

(a) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining shareholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed.

(c) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. The corporation shall be entitled to recognize the exclusive rights of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

Section 7. No shareholder shall have any preemptive right to subscribe to an additional issue of stock or to any security convertible into such stock unless, and except to the extent that, such right is expressly granted in the Certificate of Incorporation.

ARTICLE VII.

GENERAL PROVISIONS

Section 1. The Board of Directors may declare and the corporation may pay dividends upon the shares of its capital stock in cash, property, or shares of the corporation's capital stock pursuant to statute and subject to any restrictions contained in its Certificate of Incorporation. If the dividend is to be paid in shares of the corporation's theretofore unissued capital stock, the Board of Directors shall, by resolution, direct that there be designated as capital in respect of such shares an amount which is not less than the aggregate par value of par value shares being declared as a dividend and, in the case of shares without par value being declared as a dividend, such amount as shall be determined by the Board of Directors. No such designation as capital shall be necessary if shares are being distributed by the corporation pursuant to split-up or division of its stock rather than as payment of a dividend declared payable in stock of the corporation.

Section 2. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. The fiscal year of the corporation shall be fixed by resolution by the Board of Directors.

Section 4. The corporate seal shall have inscribed thereon the name of

the corporation and may be in such form as the Board of Directors may determine, and may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 5. The corporation shall indemnify to the full extent authorized by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the corporation or any predecessor of the corporation or serves or served any other enterprise as a director, officer or employee at the request of the corporation or any predecessor of the corporation.

ARTICLE VIII.

AMENDMENTS

The power to alter, amend or repeal the Bylaws of the corporation or adopt new Bylaws shall be vested in the Board of Directors of the corporation.

FOURTH AMENDMENT TO
REVOLVING CREDIT LOAN AGREEMENT

This FOURTH AMENDMENT TO REVOLVING CREDIT LOAN AGREEMENT (this "Amendment") is entered into as of August 30, 1994, by and among PIER 1 IMPORTS, INC., a Delaware corporation ("Pier 1"), PIER 1 IMPORTS (U.S.), INC., a Delaware corporation ("U.S."), PIR TRADING, INC., a Delaware corporation ("PIR") (Pier 1, U.S., and PIR being sometimes referred to herein individually as a "Borrower" and collectively as "Borrowers"), and BANK ONE, TEXAS, NATIONAL ASSOCIATION ("Bank").

WHEREAS, Borrowers and Bank entered into that certain Revolving Credit Loan Agreement dated August 14, 1992 as amended by (i) that certain First Amendment to Revolving Credit Loan Agreement dated July 31, 1993, (ii) that certain Second Amendment to Revolving Credit Loan Agreement (the "Second Amendment") dated September 30, 1993, and (iii) that certain Third Amendment to Revolving Credit Loan Agreement dated January 20, 1994 (as the same has been and may hereafter be amended from time to time, (the "Agreement") relating to credit facilities extended by Bank to Borrowers in the aggregate amount of \$50,000,000.00; and

WHEREAS, Borrowers and Bank now desire to modify the Agreement, as hereinafter provided;

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties, and agreements contained herein, and for other good valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Borrowers and Bank covenant and agree as follows:

ARTICLE I

Definitions

Section 1.01 Definitions. Except as expressly provided herein to the contrary, the terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meanings as in the Agreement.

ARTICLE II

Amendments

Section 2.01 Amendment to Definition of Restricted Investments. Effective as of the date hereof, the definition of "Restricted Investments" set forth in Section 1.110 of the Agreement is hereby deleted in its entirety and replaced with the following:

"1.110 'Restricted Investments' shall mean any investments in, guaranties of, or loans and advances to Persons, except (i) Obligations of the United States government due within one (1) year, (ii) certificates of deposit (including Eurodollar deposits) and bankers' acceptances (from commercial banks having capital resources in excess of \$100 million) due within one (1) year and payable in U.S. dollars, (iii) commercial paper rated P-1 by Moody's or A-1 by Standard & Poor's; (iv) debt of any state or political subdivision that is rated A or better by Moody's or Standard & Poor's and that matures within one (1) year, (v) any loan participation program(s) for a period not to exceed sixty (60) days with credit risk to companies with long-term debt rating by Standard & Poor's or Moody's of not less than single A, (vi) any stock purchases made on behalf of the Pier 1 Imports ESOP which are transferring to the ESOP within one (1) year, (vii) readily marketable securities having a quoted market value, (viii) the sum of dividends and other distributions on account of any class of its stock not exceeding ten million dollars (\$10,000,000) in the aggregate in such fiscal year, (ix) purchases of a majority of the outstanding stock of any corporation, (x) travel or like advances to officers and/or employees and loans to officers and/or employees for the purchase of capital stock of the Borrower (including the capitalization of up to one-half of the accrued interest on such loans to officers and/or employees) with such travel or like advances and loans not exceeding ten million dollars (\$10,000,00) in the aggregate in such fiscal year, (xi) stock or securities received in settlement of debts owing to the Borrower or any Subsidiary not exceeding ten million dollars (\$10,000,000) in such fiscal year including receivables arising from the sale of goods and

services in the ordinary course of business of the Borrower and its Subsidiaries, (xii) additional shares of General Host Corporation, a New York corporation, which are received as a result of stock dividends, stock split or combination of shares, recapitalization, reclassification, merger or similar capital or corporate structure change, (xiii) any stock or securities of Sunbelt which the Borrower or any of its Subsidiaries acquires through the exercise of its remedies with respect to any lien or security interest held by Borrower or any of its Subsidiaries on such stock or securities, (xiv) any loans or guaranties made by the Borrower or any of its Subsidiaries to or for the benefit of Pier Retail Group Limited, a company organized under the laws of the United Kingdom, not exceeding an aggregate principal amount of five million dollars (\$5,000,000) in such fiscal year, (xv) investments in or loans and advances to Borrower, or any of its Subsidiaries, or any Person that is wholly-owned by Borrower and/or its Subsidiaries, (xvi) investments in or loans and advances to any partnership, corporation or joint venture the sole purpose of which is to obtain land and improvements used in the ordinary course of business of Borrower or any of its Subsidiaries, which investments in or loans and advances to under this subsection shall not exceed seventy-five million dollars (\$75,000,000) in the aggregate in such fiscal year, (xvii) all investments, guaranties, loans and advances in existence on the date hereof, together with all renewals, extensions, rearrangements, replacements, and substitutions thereof, and (xviii) all guaranties permitted under Section 8.07 hereof."

Section 2.02 Amendment to Definition of Termination Date. Effective as of the date hereof, the definition of "Termination Date" set forth in Section 1.131 of the Agreement is hereby deleted in its entirety and replaced with the following:

"1.131 'Termination Date' shall mean August 30, 1995."

Section 2.03 Amendment to Section 3.03. Effective as of the date hereof, Section 3.03 of the Agreement is hereby amended by deleting the reference to "August 30, 1994" and replacing it with a reference to "August 30, 1995."

Section 2.04 Amendment to Section 8.03 Effective as of the date hereof, Section 8.03 of the Agreement is hereby deleted in its entirety and replaced with the following:

"8.03 Limitation on Dividends, Acquisition of Stock and Restricted Investments. Make during any fiscal year any Restricted Investment or pay any dividend on any class of its stock (other than stock dividends) or any other distribution on account of any class of its stock (other than dividends or distributions payable solely in shares of its stock), all of the foregoing being herein called "Restricted Payments", if the sum of such Restricted Payments exceeds thirty million dollars (\$30,000,000) in the aggregate in such fiscal year. Notwithstanding the foregoing, no Restricted Payment, other than dividends already declared, shall be made if as a result of giving effect thereto, an Event of Default shall have occurred and be continuing. All dividends and distributions declared must be payable within ninety (90) days of the date of such declaration."

Section 2.05 Amendment to Section 8.04(e). Effective as of the date hereof, Section 8.04(e) of the Agreement is hereby deleted and replaced with the following:

"(e) Maintenance of Fixed Charge Coverage - For the fiscal quarter ending May 29, 1994 through the fiscal quarter ending November 26, 1994, permit the ratio of Cash Flow Available for Fixed Charges to Fixed Charges to be less than 1.20 to 1.0. For the fiscal quarter beginning November 27, 1994 and for each fiscal quarter thereafter during the term hereof, permit the ratio of Cash Flow Available for Fixed Charges to Fixed Charges to be less than 1.25 to 1.0. The calculations specified above shall be made as of the last day of the relevant fiscal quarter."

ARTICLE III

Note

Section 3.01 Note. Contemporaneously with the execution of this Amendment, Borrower shall execute and deliver to Bank a promissory note of

even date hereof (the "Renewal Note") in the stated principal amount of \$50,000,000.00. Effective as of the date hereof, each reference in the Loan Agreement and the other Loan Documents to the Note shall be a reference to the Renewal Note.

ARTICLE IV

Representations, Warranties, Ratification and Reaffirmation

Section 4.01 Representations and Warranties. Borrowers hereby represent and warrant that: (i) the representations and warranties contained in the Agreement and the other Loan Documents are true and correct on and as of the date hereof as though made on and as of the date hereof, (ii) no event has occurred and is continuing that constitutes an Event of Default or would constitute an Event of Default but for the requirement of notice or lapse of time or both, and (iii) there are no claims or offsets against, or defenses or counterclaims to, the obligations of Borrowers under the Agreement or any of the other Loan Documents (including without limitation, any defenses or offsets resulting from or arising out of breach of contract or duty, the amount of interest charged, collected or received on the Note heretofore, or breach of any commitments or promises of any type).

Section 4.02 Ratification. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Agreement and the other Loan Documents, but except as expressly modified and superseded by this Agreement, the terms and provisions of the Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect, Borrowers hereby agreeing that the Agreement and the Loan Documents are and shall continue to be outstanding, validly existing and enforceable in accordance with their respective terms.

ARTICLE V

Miscellaneous

Section 5.01 Reference to Agreement. Each of the Loan Documents is hereby amended so that any reference in the Loan Documents to the Agreement shall mean a reference to the Agreement as amended hereby.

Section 5.02 Guarantors. Each of the undersigned Guarantors consents and agrees to the terms and provisions of this Amendment and agrees that the Guaranty Agreements executed by the undersigned Guarantors in favor of Bank are and shall remain in full force and effect.

Section 5.03. Execution in Counterparts. This Amendment may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 5.04. Governing Law. This Amendment has been entered into in Dallas County, Texas and shall be performable for all purposes in Dallas County, Texas. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. Courts within the State of Texas shall have jurisdiction over any and all disputes arising under or pertaining to this Amendment.

Section 5.05. Parties Bound. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that Borrowers shall not assign any rights, powers, duties or obligations hereunder.

Section 5.06 NO ORAL AGREEMENTS. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OR PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED as of the date first above written.

BORROWERS:

PIER 1 IMPORTS, INC.

By: _____
Name:
Title:

PIER 1 IMPORTS (U.S.), INC.

By: _____
Name:
Title:

PIR TRADING, INC.

By: _____
Name:
Title:

GUARANTORS:

a) Pier 1 Guarantors:

PIER 1 LICENSING, INC., a Delaware corporation as successor in interest by merger to CMEI, INC. and PIER 1 IMPORTS HOLDING, INC.

By: _____
Name:
Title:

PIER 1 IMPORTS (U.S.), INC.

By: _____
Name:
Title:

PIR TRADING, INC.

By: _____
Name:
Title:

PIER LEASE, INC. F/K/A PIR TRANSPORTATION, INC.

By: _____
Name:
Title:

PIER 1 ASSETS, INC.

By: _____

Name:
Title:

b) PIR Guarantors:

PIER 1 IMPORTS, INC.

By: _____
Name:
Title:

PIER 1 LICENSING, INC., a Delaware corporation as successor in interest by merger to CMEI, INC. and PIER 1 IMPORTS HOLDING, INC.

By: _____
Name:
Title:

PIER 1 IMPORTS (U.S.), INC.

By: _____
Name:
Title:

PIER LEASE, INC. F/K/A PIR TRANSPORTATION, INC.

By: _____
Name:
Title:

PIER 1 ASSETS, INC.

By: _____
Name:
Title:

c) U.S. Guarantors:

PIER 1 IMPORTS, INC.

By: _____
Name:
Title:

PIER 1 LICENSING, INC., a Delaware corporation as successor in interest by merger to CMEI, INC. and PIER 1 IMPORTS HOLDING, INC.

By: _____
Name:
Title:

PIR TRADING, INC.

By: _____
Name:
Title:

PIER LEASE, INC. F/K/A PIR
TRANSPORTATION, INC.

By: _____
Name:
Title:

PIER 1 ASSETS, INC.

By: _____
Name:
Title:

BANK:

BANK ONE, TEXAS,
NATIONAL ASSOCIATION

By: _____
Name:
Title:

THIRD AMENDMENT TO LEASE GUARANTEE

This Third Amendment to Lease Guarantee (hereinafter referred to as "this Third Amendment") is entered into as of the 20th day of June, 1994, between PIER 1 IMPORTS, INC. a Delaware corporation (the "Guarantor") and PIER GROUP, INC., a Delaware corporation ("Lessor").

WHEREAS, Guarantor and Lessor previously entered into a Lease Guarantee (the "Lease Guarantee") dated December 30, 1992, whereby Guarantor guaranteed the full payment and performance when due of all rent, indebtedness, and obligations now or hereafter existing or owing to Lessor pursuant to lease agreements from time to time entered into with Pier Lease, Inc., a Delaware corporation, and with Pier 1 Imports (U.S.), Inc., a Delaware corporation; and

WHEREAS, the Lease Guarantee was amended by a First Amendment to Lease Guarantee dated as of April 28, 1993 (the "First Amendment"); and

WHEREAS, the Lease Guarantee was amended by a Second Amendment to Lease Guarantee dated as of April 25, 1994 (the "Second Amendment"); and

WHEREAS, Guarantor and Lessor have agreed to amend the Lease Guarantee as more fully set forth hereinafter.

NOW, THEREFORE, in consideration of the premises and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Guarantor and the Lessor agree as follows:

1. Section 2 of the Lease Guarantee is amended to read in its entirety as follows:

2. Guarantee Continuing, Absolute, Unlimited. This Guarantee is a continuing, absolute and unlimited Guarantee of payment as primary obligor and not as surety. This Guarantee shall apply to all Obligations pursuant to the Lease Agreements, without limitation as to either amount or period of time. The Obligations shall be conclusively presumed to have been created in reliance on this Guarantee. Lessor shall not be required to proceed first against the Lessee or any other person, firm or corporation or against any property securing any of the Obligations before resorting to the Guarantor for payment. This Guarantee shall be construed as a guarantee of payment and performance without regard to the validity, regularity, or enforceability of any of the Obligations, the rejection of any of the Lease Agreements in bankruptcy, or the termination or cancellation of any of the Lease Agreements for any reason and notwithstanding any claim, defense (other than payment by the Guarantor) or right of set-off which the Lessee or the Guarantor may have against Lessor, including any such claim, defense or right of set-off based on any present or future law or order of any government (de jure or de facto), or of any agency thereof or court of law purporting to reduce, amend or otherwise affect any obligations of the Lessee, or any other obligor, or to vary any terms of payments, and without regard to any other circumstances which might otherwise constitute a legal or equitable discharge of a surety or a guarantor. The Guarantor agrees that this Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time payment to Lessor of the Obligations or any part thereof is rescinded or must otherwise be returned by Lessor upon the insolvency, bankruptcy or reorganization of the Lessee, or otherwise, as though such payment to Lessor had not been made.

2. The definition of "Restricted Investments" in Section 3 of the Lease Guarantee is amended to read in its entirety as follows:

"Restricted Investments" shall mean any investments in, guaranties of, or loans and advances to Persons, except (i) Obligations of the United States government due within one (1) year, (ii) certificates of deposit (including Eurodollar deposits) and bankers' acceptances (from commercial banks having capital resources in excess of \$100 million) due within one (1) year and payable in U.S. dollars, (iii) commercial paper rated P-1 by Moody's or A-1 by Standard & Poor's; (iv) debt of any state or political subdivision that is rated A or better by Moody's or Standard & Poor's and that matures within one (1) year, (v) any loan participation program(s) for a period not to exceed sixty (60) days with credit risk to companies with long-term debt rating by Standard & Poor's or Moody's of not less than single A, (vi) any stock purchases made on behalf of the Pier 1 Imports ESOP which are transferred to the ESOP within one (1) year, (vii)

readily marketable securities having a quoted market value, (viii) the sum of dividends and other distributions on account of any class of its stock not exceeding ten million dollars (\$10,000,000) in the aggregate in such fiscal year, (ix) purchases of majority of the outstanding stock of any corporation, (x) travel or like advances to officers and/or employees and loans to officers and/or employees for the purchase of capital stock of the Guarantor (including the capitalization of up to one-half of the accrued interest on such loans to officers and /or employees) with such travel or like advances and loans not exceeding ten million dollars (\$10,000,000) in the aggregate in such fiscal year, (xi) stock or securities received in settlement of debts owing to the Guarantor or any Subsidiary not exceeding ten million dollars (\$10,000,000) in such fiscal year including receivables arising from the sale of goods and services in the ordinary course of business of the Guarantor and its Subsidiaries, (xii) additional shares of General Host Corporation, a New York corporation, which are received as a result of stock dividends, stock split or combination of shares, recapitalization, reclassification, merger or similar capital or corporate structure change, (xiii) any stock or securities of Sunbelt which the Guarantor or any of its Subsidiaries acquires through the exercise of its remedies with respect to any lien or security interest held by guarantor or any of its Subsidiaries on such stock or securities, (xiv) any loans or guaranties made by the Guarantor or any of its Subsidiaries to or for the benefit of Pier Retail Group Limited, a company organized under the laws of the United Kingdom, not exceeding an aggregate principal amount of five million dollars (\$5,000,000) in such fiscal year, (xv) investments in or loans and advances to Guarantor, or any of its Subsidiaries, or any Person that is wholly-owned by Guarantor and/or its Subsidiaries, (xvi) investments in or loans and advances to any partnership, corporation or joint venture the sole purpose of which is to obtain land and improvements used in the ordinary course of business of Guarantor or any of its Subsidiaries, which investments in or loans and advances to under this subsection shall not exceed seventy-five million dollars (\$75,000,000) in the aggregate in such fiscal year, (xvii) all investments, guaranties, loans and advances in existence on the date hereof, together with all renewals, extensions, rearrangements, replacements, and substitutions thereof, and (xviii) all guaranties permitted under Section 8(g) hereof.

3. Section 8(b) and section 8(c) of the Lease Guarantee are hereby amended to read in their entirety as follows:

(b) Consolidated Tangible Net Worth. Permit its Consolidated Tangible Net Worth at any time to be less than an amount equal to the sum of (i) one hundred ninety million dollars (\$190,000,000) plus (ii) 50% of the aggregate Consolidated Net Income of the guarantor for the period commencing after February 26, 1994 (without deduction for any net loss in any fiscal year ending after February 26, 1994) and terminating at the end of the last fiscal quarter preceding the date of any determination of Consolidated Tangible Net Worth.

(c) Limitation on Dividends, Acquisition of Stock and Restricted Investments. Make during any fiscal year any Restricted Investment or pay any dividend on any class of its stock (other than stock dividends) or any other distribution on account of any class of its stock (other than dividends or distributions payable solely in shares of its stock), all of the foregoing being herein called "Restricted Payments", if the sum of such Restricted Payments exceeds thirty million dollars (\$30,000,000) in the aggregate in such fiscal year. Notwithstanding the foregoing, no Restricted Payment, other than dividends already declared, shall be made if as a result of giving effect thereto, an Event of Default shall have occurred and be continuing. All dividends and distributions declared must be payable within ninety (90) days of the date of such declaration.

4. Section 8(d)(ii) of the Lease Guarantee is hereby amended to read in its entirety as follows:

(ii) Debt To Tangible Net Worth. Permit the ratio of Debt to Consolidated Tangible Net Worth to exceed 1.60 to 1.0.

5. Section 8(e) of the Lease Guarantee is deleted in its entirety.

6. Except as herein specifically amended and modified above, the Lease Guarantee, First Amendment and the Second Amendment are unchanged and shall continue in full force and effect.

7. Guarantor hereby consents and agrees to this Third Amendment and the Guarantor hereby confirms and ratifies the Lease Guarantee, the First Amendment and the Second Amendment and each and every term, condition, and covenant therein contained to the same extent and as though the same were set forth herein in full.

8. This Third Amendment may be executed in a number of identical counterparts, each of which shall be deemed an original. In making proof of this instrument, it shall not be necessary for any party to account for all counterparts, and it shall be sufficient for any party to produce but one such counterpart.

9. This Third Amendment to Lease Guarantee shall be binding upon and inure to the benefit of the parties and their successors and assignees.

10. THE LEASE GUARANTEE, THE FIRST AMENDMENT, THE SECOND AMENDMENT AND THIS THIRD AMENDMENT CONSTITUTE A "LOAN AGREEMENT" AS DEFINED IN SECTION 26.01(A) OF THE TEXAS BUSINESS AND COMMERCE CODE, REPRESENT THE FINAL AND ENTIRE AGREEMENT AND UNDERSTANDING AMONG THE GUARANTOR AND THE LESSOR RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF, SUPERSEDE ALL PRIOR PROPOSALS, AGREEMENTS AND UNDERSTANDINGS RELATING TO THE SUBJECT MATTER AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be executed by their respective officers thereunto duly authorized, as of the date first written above.

GUARANTOR:

PIER 1 IMPORTS, INC.

By: _____
Robert G. Herndon,
Executive Vice President

LESSOR:

PIER GROUP, INC.

By: _____
George R. Mihalko, President

Agreed and Accepted
as of the date above written:

FIRST INTERSTATE BANK
OF TEXAS, N.A., as Agent

By: _____
Robin Hamilton, Vice President

THIRD AMENDMENT TO LEASE GUARANTEE

This Third Amendment to Lease Guarantee (hereinafter referred to as "this Third Amendment") is entered into as of the 20th day of June, 1994, among PIER 1 IMPORTS, INC. a Delaware corporation ("Guarantor"), PIER 1 IMPORTS (U.S.), INC., a Delaware corporation (Pier 1 Imports, Inc. and Pier 1 Imports (U.S.), Inc. are hereinafter collectively referred to as the "Guarantors") and PIER GROUP, INC., a Delaware corporation ("Lessor").

WHEREAS, Guarantors and Lessor previously entered into a Lease Guarantee (the "Lease Guarantee") dated December 30, 1992, whereby Guarantors guaranteed the full payment and performance when due of all rent, indebtedness, and obligations now or hereafter existing or owing to Lessor pursuant to lease agreements from time to time entered into with Pier Lease, Inc., a Delaware corporation; and

WHEREAS, the Lease Guarantee was amended by a First Amendment to Lease Guarantee dated as of April 28, 1993 (the "First Amendment"); and

WHEREAS, the Lease Guarantee was amended by a Second Amendment to Lease Guarantee dated as of April 25, 1994 (the "Second Amendment"); and

WHEREAS, Guarantors and Lessor have agreed to amend the Lease Guarantee as more fully set forth hereinafter.

NOW, THEREFORE, in consideration of the premises and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Guarantors and the Lessor agree as follows:

1. Section 2 of the Lease Guarantee is amended to read in its entirety as follows:

2. Guarantee Continuing, Absolute, Unlimited. This Guarantee is a continuing, absolute and unlimited Guarantee of payment as primary obligor and not as surety. This Guarantee shall apply to all Obligations pursuant to the Lease Agreements, without limitation as to either amount or period of time. The Obligations shall be conclusively presumed to have been created in reliance on this Guarantee. Lessor shall not be required to proceed first against the Lessee or any other person, firm or corporation or against any property securing any of the Obligations before resorting to the Guarantors or either of them for payment. This Guarantee shall be construed as a guarantee of payment and performance without regard to the validity, regularity, or enforceability of any of the Obligations, the rejection of any of the Lease Agreements in bankruptcy, or the termination or cancellation of any of the Lease Agreements for any reason and notwithstanding any claim, defense (other than payment by the Guarantor) or right of set-off which the Lessee or the Guarantors (or either of them) may have against Lessor, including any such claim, defense or right of set-off based on any present or future law or order of any government (de jure or de facto), or of any agency thereof or court of law purporting to reduce, amend or otherwise affect any obligations of the Lessee, or any other obligor, or to vary any terms of payments, and without regard to any other circumstances which might otherwise constitute a legal or equitable discharge of a surety or a guarantor. Each of the Guarantors agrees that this Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time payment to Lessor of the Obligations or any part thereof is rescinded or must otherwise be returned by Lessor upon the insolvency, bankruptcy or reorganization of the Lessee, or otherwise, as though such payment to Lessor had not been made.

2. The definition of "Restricted Investments" in Section 3 of the Lease Guarantee is amended to read in its entirety as follows:

"Restricted Investments" shall mean any investments in, guaranties of, or loans and advances to Persons, except (i) Obligations of the United States government due within one (1) year, (ii) certificates of deposit (including Eurodollar deposits) and bankers' acceptances (from commercial banks having capital resources in excess of \$100 million) due within one (1) year and payable in U.S. dollars, (iii) commercial paper rated P-1 by Moody's or A-1 by Standard & Poor's; (iv) debt of any state or political subdivision that is rated A or better by Moody's or Standard & Poor's and that matures within one (1) year, (v) any loan participation program(s) for a period not to exceed sixty (60) days with credit risk to companies with long-term debt rating by Standard & Poor's or Moody's of not less than single

A, (vi) any stock purchases made on behalf of the Pier 1 Imports ESOP which are transferred to the ESOP within one (1) year, (vii) readily marketable securities having a quoted market value, (viii) the sum of dividends and other distributions on account of any class of its stock not exceeding ten million dollars (\$10,000,000) in the aggregate in such fiscal year, (ix) purchases of majority of the outstanding stock of any corporation, (x) travel or like advances to officers and/or employees and loans to officers and/or employees for the purchase of capital stock of the Guarantor (including the capitalization of up to one-half of the accrued interest on such loans to officers and /or employees) with such travel or like advances and loans not exceeding ten million dollars (\$10,000,000) in the aggregate in such fiscal year, (xi) stock or securities received in settlement of debts owing to the Guarantor or any Subsidiary not exceeding ten million dollars (\$10,000,000) in such fiscal year including receivables arising from the sale of goods and services in the ordinary course of business of the Guarantor and its Subsidiaries, (xii) additional shares of General Host Corporation, a New York corporation, which are received as a result of stock dividends, stock split or combination of shares, recapitalization, reclassification, merger or similar capital or corporate structure change, (xiii) any stock or securities of Sunbelt which the Guarantor or any of its Subsidiaries acquires through the exercise of its remedies with respect to any lien or security interest held by Guarantor or any of its Subsidiaries on such stock or securities, (xiv) any loans or guaranties made by the Guarantor or any of its Subsidiaries to or for the benefit of Pier Retail Group Limited, a company organized under the laws of the United Kingdom, not exceeding an aggregate principal amount of five million dollars (\$5,000,000) in such fiscal year, (xv) investments in or loans and advances to Guarantor, or any of its Subsidiaries, or any Person that is wholly-owned by Guarantor and/or its Subsidiaries, (xvi) investments in or loans and advances to any partnership, corporation or joint venture the sole purpose of which is to obtain land and improvements used in the ordinary course of business of Guarantor or any of its Subsidiaries, which investments in or loans and advances to under this subsection shall not exceed seventy-five million dollars (\$75,000,000) in the aggregate in such fiscal year, (xvii) all investments, guaranties, loans and advances in existence on the date hereof, together with all renewals, extensions, rearrangements, replacements, and substitutions thereof, and (xviii) all guaranties permitted under Section 8(g) hereof.

3. Section 8(b) and section 8(c) of the Lease Guarantee are hereby amended to read in their entirety as follows:

(b) Consolidated Tangible Net Worth. Permit its Consolidated Tangible Net Worth at any time to be less than an amount equal to the sum of (i) one hundred ninety million dollars (\$190,000,000) plus (ii) 50% of the aggregate Consolidated Net Income of the Guarantor for the period commencing after February 26, 1994 (without deduction for any net loss in any fiscal year ending after February 26, 1994) and terminating at the end of the last fiscal quarter preceding the date of any determination of Consolidated Tangible Net Worth.

(c) Limitation on Dividends, Acquisition of Stock and Restricted Investments. Make during any fiscal year any Restricted Investment or pay any dividend on any class of its stock (other than stock dividends) or any other distribution on account of any class of its stock (other than dividends or distributions payable solely in shares of its stock), all of the foregoing being herein called "Restricted Payments", if the sum of such Restricted Payments exceeds thirty million dollars (\$30,000,000) in the aggregate in such fiscal year. Notwithstanding the foregoing, no Restricted Payment, other than dividends already declared, shall be made if as a result of giving effect thereto, an Event of Default shall have occurred and be continuing. All dividends and distributions declared must be payable within ninety (90) days of the date of such declaration.

4. Section 8(d)(ii) of the Lease Guarantee is hereby amended to read in its entirety as follows:

(ii) Debt To Tangible Net Worth. Permit the ratio of Debt to

Consolidated Tangible Net Worth to exceed 1.60 to 1.0.

5. Section 8(e) of the Lease Guarantee is deleted in its entirety.

6. Except as herein specifically amended and modified above, the Lease Guarantee, the First Amendment and the Second Amendment are unchanged and shall continue in full force and effect.

7. Each Guarantor hereby consents and agrees to this Third Amendment and each Guarantor hereby confirms and ratifies the Lease Guarantee, the First Amendment and the Second Amendment and each and every term, condition, and covenant therein contained to the same extent and as though the same were set forth herein in full.

8. This Third Amendment may be executed in a number of identical counterparts, each of which shall be deemed an original. In making proof of this instrument, it shall not be necessary for any party to account for all counterparts, and it shall be sufficient for any party to produce but one such counterpart.

9. This Third Amendment to Lease Guarantee shall be binding upon and inure to the benefit of the parties and their successors and assignees.

10. THE LEASE GUARANTEE, THE FIRST AMENDMENT, THE SECOND AMENDMENT AND THIS THIRD AMENDMENT CONSTITUTE A "LOAN AGREEMENT" AS DEFINED IN SECTION 26.01(A) OF THE TEXAS BUSINESS AND COMMERCE CODE, REPRESENT THE FINAL AND ENTIRE AGREEMENT AND UNDERSTANDING AMONG THE GUARANTORS AND THE LESSOR RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF, SUPERSEDE ALL PRIOR PROPOSALS, AGREEMENTS AND UNDERSTANDINGS RELATING TO THE SUBJECT MATTER AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be executed by their respective officers thereunto duly authorized, as of the date first written above.

GUARANTORS:

PIER 1 IMPORTS, INC.

By: _____
Robert G. Herndon,
Executive Vice President

PIER 1 IMPORTS (U.S.), INC.

By: _____
Robert G. Herndon,
Executive Vice President

LESSOR:

PIER GROUP, INC.

By: _____
George R. Mihalko, President

Agreed and Accepted
as of the date above written:

FIRST INTERSTATE BANK
OF TEXAS, N.A., as Agent

By: _____
Robin Hamilton, Vice President

f-0024327.01

THIRD EXTENSION AGREEMENT

This Third Extension Agreement (this "Agreement"), entered into on September 21, 1994, by and between Sunbelt Nursery Group, Inc., a Delaware corporation ("Borrower"), and Pier 1 Imports, Inc., a Delaware corporation ("Pier 1"), and Pier-SNG, Inc., a Delaware corporation ("Pier-SNG" and, collectively with Pier 1, sometimes referred to as "Lender").

RECITALS

A. The parties hereto have previously entered into that certain Extension Agreement, dated April 25, 1994 (the "First Extension") and the Second Extension Agreement, dated June 29, 1994 (the "Second Extension"), providing for the extension of the date of the maturity (the "Maturity Date") of the Credit Agreement and of the Notes (as such terms are defined in the First Extension).

B. The Maturity Date of the Credit Agreement and of the Notes, as so extended, is currently September 21, 1994.

C. Borrower is attempting to refinance (the "New Financing") its obligations under the Credit Agreement and the Notes, and to facilitate the New Financing, Borrower has requested that Lender amend the Credit Agreement and the Notes to further extend the maturities thereof as herein provided.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms not otherwise defined herein shall have the meanings defined for such terms in the First Extension.

2. Extension and Consideration. The Maturity Date shall be extended to October 15, 1994. The Maturity Date of Borrower's 8% promissory note dated June 29, 1994, in the principal amount of \$100,000, given as consideration for the Second Extension Agreement, shall be extended to October 15, 1994.

3. Amendments of the Credit Agreement and the Notes.

(a) Amendment of the Credit Agreement. The definition "Termination Date" in Section 1.1 of the Credit Agreement is, effective as of the date of this Agreement (the "Effective Date"), hereby replaced in its entirety as follows:

"Termination Date" shall mean October 15, 1994, or the earlier date of termination in whole of the Commitment pursuant to Sections 2.7 or 6.2.

(b) Amendment of the TCB Note. The definition "Original Termination Date" in Section 1.1 of the TCB Facility is, effective as of the Effective Date, hereby replaced in its entirety as follows:

"Original Termination Date" shall mean October 15, 1994.

(c) Amendment to the Standard Chartered Note. The definition "Termination Date" in Section 1.1 of the SCB Facility is, effective as of the Effective Date, hereby replaced in its entirety as follows:

"Termination Date" shall mean October 15, 1994, or the earlier date of termination in whole of the Commitment pursuant to Sections 2.7 or 6.2.

(d) Payment of Accrued Interest. The Notes and Credit Agreement are hereby amended so as to provide for Borrower's delivery to Lender of the following interest payments thereunder:

(i) Accrued interest on the Revolving Credit Balance as provided for under the Notes and Credit Agreement ("Accrued Interest") for the month of September 1994 shall be payable to Lender on or before September

30, 1994;

(ii) Accrued Interest from October 1, 1994, to October 15, 1994, shall be payable to Lender on or before October 15, 1994.

(e) Forgiveness of Certain Indebtedness. In the event Borrower repays to Lender on or before the Maturity Date an amount equal to the Revolving Credit Balance less the sum of \$220,000 (being the amount of consideration paid by Borrower under the First Extension and the Second Extension), Lender shall forgive the amount payable under Borrower's promissory note referred to in Section 2 hereof.

(f) Amendment of the Notes and Credit Agreement. Notwithstanding any provision in the Notes or the Credit Agreement to the contrary, Borrower shall not have the right to obtain any additional extensions of credit under the Notes or the Credit Agreement.

4. Waiver. Lender hereby waives until the Maturity Date any default, breach, violation or event of default under the Credit Agreement, the TCB Facility or the SCB Facility, and the Notes issued thereunder, including any cross default(s) arising under (A) Section 6.1(c) of the Credit Agreement and (B) Section 6.1(d) of each of the TCB Facility and the SCB Facility, and the Notes issued thereunder, resulting from the failure of Borrower to satisfy the current ratio requirement set forth in Section 4.1(k)(iv) of each of the TCB Facility and the SCB Facility, and the failure to timely deliver notice of such defaults required by Section 4.1(k)(iv) of each of the Credit Agreement, the TCB Facility and the SCB Facility.

5. Representations and Warranties. (a) To induce Lender to enter into this Agreement, Borrower hereby represents and warrants to Lender that (i) Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to perform its obligations under this Agreement, (ii) the execution, delivery and performance of this Agreement have been duly authorized by all requisite action on the part of Borrower and do not and will not violate the certificate of incorporation or bylaws of Borrower or any other agreement to which Borrower is a party, or any law, rule or regulation, or any order of any court, governmental authority or arbitrator by which it or any of its properties is bound and (iii) Borrower will apply the net proceeds of the New Financing to repay the Revolving Credit Balance.

(b) Lender hereby represents and warrants to Borrower that (i) Pier-SNG is the sole owner of the notes and is successor in interest to the respective banks under the SCB Facility and the TCB Facility with full power and authorization to amend such facilities, (ii) each of Pier 1 and Pier-SNG is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to perform its obligations under this Agreement and (iii) the execution, delivery and performance of this Agreement have been duly authorized by all requisite action on the part of Pier 1 or Pier-SNG and do not and will not violate the certificate of incorporation or bylaws of Pier 1 or Pier-SNG or any other agreement to which either Pier 1 or Pier-SNG is a party, or any law, rule or regulation, or any order of any court governmental authority or arbitrator by which they or any of their properties is bound.

6. Covenants. Notwithstanding any provisions to the contrary contained in the Credit Agreement, Borrower hereby covenants and agrees that it will perform, observe and comply with each of the following covenants:

(a) Weekly Financial Report. Borrower shall provide to Lender by 2:00 p.m., Fort Worth, Texas time, on the second business day of each week a financial report for Borrower for the previous week containing income, expense and cashflow information. All such reports shall be prepared in accordance with sound accounting principles consistently applied and shall be certified by the chief executive officer or the chief financial officer of Borrower to be true and correct to the best of such person's knowledge.

(b) Other Indebtedness. Borrower shall not, and shall not suffer its subsidiaries to, repay any indebtedness owing to any parent, affiliate or controlling person of Borrower prior to repayment in full of the Revolving Credit Agreement.

7. Ratification of Loan Documents. Borrower hereby acknowledges and agrees that the Credit Agreement, the Notes, and all guarantees thereof and

security interests granted in connection therewith in favor of Lender shall remain in full force and effect and binding on the respective parties thereto, enforceable in accordance with their respective terms. Except as provided herein, Borrower hereby ratifies and confirms the Notes and Credit Agreement and all of its obligations thereunder.

8. No Obligation of Lender. Except as provided herein, Lender shall have no further obligation whatsoever to extend the maturity of the Notes or Credit Agreement, waive any Event of Default or defer any payment. Borrower hereby acknowledges and understands that upon the maturity of the Notes or Credit Agreement, as extended hereby, Lender shall have the right to proceed to exercise any and all rights and remedies to which it is entitled, which may include foreclosure on any collateral securing the Notes and the Credit Agreement and the institution of legal proceedings.

9. No Implied Waivers. No failure or delay on the part of Lender in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement, the Credit Agreement, the Notes or any document related thereto shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement, the Notes or the Credit Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

10. Expenses of lender. Borrower agrees to pay on demand all reasonable costs and expenses incurred by Lender in connection with the preparation, negotiation, execution and administration of this Agreement, and all reasonable costs and expenses incurred by Lender in connection with the enforcement or preservation of any rights or remedies under this Agreement, the Credit Agreement or the Notes, including without limitation the reasonable fees and expenses of Lender's legal counsel.

11. Indemnification. Section 2.16 of the Credit Agreement is applicable to this Agreement.

12. Survival of Representations and Warranties. All representations and warranties made in this Agreement shall survive the execution and delivery of this Agreement, and no investigation by Lender or any closing shall affect the representations and warranties or the right of Lender to rely upon them.

13. Review and Construction of Documents. Borrower hereby acknowledges, and represents and warrants to Lender, that (i) Borrower has had the opportunity to consult with legal counsel of its own choice and has been afforded an opportunity to review this Agreement with its legal counsel, (ii) Borrower has reviewed this Agreement and fully understands the effects thereof and all terms and provisions contained therein, and (iii) Borrower has executed this Agreement of its own free will and volition.

14. Entire Agreement; Amendment. This agreement embodies the final, entire agreement between the parties hereto regarding the maturity extensions granted herein and supersedes any and all prior commitments, representations and understandings, whether written or oral, relating to the subject matter hereof. The provisions of this Agreement may be amended or waived only by an instrument in writing signed by the parties hereto. The Notes, Credit Agreement and related documents, including but not limited to the Loan Papers (as defined in the Credit Agreement), continue to evidence the agreement of the parties with respect to the subject matter thereof.

15. Notices. All notices, requests, demands and other communications under this Agreement shall be given in accordance with the provisions of the Loan Papers (as defined in the Credit Agreement).

16. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and assigns, provided that Borrower may not assign any rights or obligations under this Agreement without the prior written consent of Lender.

17. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

18. Interpretation. Wherever the context hereof shall so require, the singular shall include the plural, the masculine gender shall include the feminine gender and the neuter and vice versa. The headings, captions and

arrangements used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

19. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

20. Counterparts. This Agreement may be executed and delivered in any number of counterparts, and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute one and the same instrument.

21. Further Assurances. Each party to this Agreement agrees to execute, acknowledge, deliver, file and record such further certificates, instruments and documents, and to do all other acts and things, as may be reasonably necessary or advisable to carry out the intents and purposes of this Agreement.

IN WITNESS WHEREOF, the parties hereby have executed this Agreement as of the day and year first above written.

SUNBELT NURSERY GROUP, INC.

By: _____
Title: _____

PIER 1 IMPORTS, INC.

By: _____
Title: _____

PIER-SNG, INC.

By: _____
Title: _____

To induce Lender to enter into the foregoing Agreement, each of the undersigned consent and agree (a) to the execution and delivery of the foregoing Agreement, (b) that such Agreement shall in no way release, diminish, impair, reduce or otherwise adversely affect any obligations, guarantees or assurances heretofore granted by each of the undersigned to Pier 1 or Pier-SNG, which shall each continue to be in full force and effect. Each of the undersigned parties waive notice of acceptance of this Agreement by Lender, which Agreement shall be binding upon each of the undersigned and the successors and assigns of each of the undersigned and shall inure to the benefit of Lender and their successors and assigns. It is understood that SNG Acquisition, Inc. is not guaranteeing the performance of Borrower under Borrower's \$100,000 promissory note constituting the Consideration for the Second Extension.

SNG ACQUISITION COMPANY, INC.

By: _____
Title: _____

WOLFE NURSERY GROUP, INC.

By: _____
Title: _____

TIP TOP NURSERIES, INC.

By: _____
Title: _____

HOUSTON PATIO & GARDEN CENTERS, INC.

By: _____
Title: _____

GREEN BROS. NURSERY, INC.

By: _____
Title: _____

SUNBELT MANAGEMENT SERVICES, INC.

By: _____
Title: _____

NURSERYLAND GARDEN CENTERS, INC.

By: _____
Title: _____

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S CONSOLIDATED STATEMENT OF OPERATIONS AND BALANCE SHEET AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. THE DATA INCLUDED FOR THE INTERIM YEAR TO DATE PERIOD IS PROVIDED ON A CONDENSED BASIS IN A MANNER SIMILAR TO THE INTERIM INFORMATION IN THE FORM 10-Q.

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<INTEREST-EXPENSE>		7,339
<INCOME-PRETAX>		20,565
<INCOME-TAX>		6,374
<INCOME-CONTINUING>		14,191
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<EPS-PRIMARY>		.38
<EPS-DILUTED>		.36