

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended February 26, 1994.

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission File No. 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
(Address of principal executive offices)

76102
(Zip Code)

Registrant's telephone number, including area code: (817) 878-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1 par value	New York Stock Exchange
11 1/2% Sub. Debentures Due 2003	New York Stock Exchange
6 7/8% Convertible Sub. Notes Due 2002	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to
Item 405 of Regulation S-K (Sec.229.405 of this chapter) is not contained
herein, and will not be contained, to the best of Registrant's knowledge, in
definitive proxy or information statements incorporated by reference in Part
III of this Form 10-K or any amendment to this Form 10-K. []

As of May 4, 1994, there were 37,547,477 shares of Common Stock, \$1.00
par value, outstanding, and the aggregate market value of the Common Stock of
Registrant held by non-affiliates was approximately \$311 million.

DOCUMENTS INCORPORATED BY REFERENCE

Location in Form 10-K	Incorporated Document
Part III	Proxy Statement for 1994 Annual Meeting

PART I

Item 1. Business.

(a) General Development of Business.

From fiscal 1988 through fiscal 1994, Registrant, through its
subsidiary, Pier 1 Imports (U.S.), Inc. ("Pier 1"), expanded its specialty
retail operations from 350 retail stores to 636 stores. In fiscal year 1994,
Registrant continued to execute its expansion plan by opening 48 new Pier 1

Imports stores, including one in Puerto Rico, and closed 17 stores. The rate of expansion for the fiscal year doubled the previous fiscal year rate when Registrant opened 26 new Pier 1 Imports stores. Throughout the fiscal year Registrant continued its focus on cost efficiencies and expense controls. Subject to changes in the retail environment, availability of suitable store sites and adequate financing, Registrant plans to open 45 - 50 new Pier 1 Imports stores in fiscal year 1995.

Set forth below is a list by city of Pier 1-operated stores opened in fiscal 1994:

Billings, MT	1	Lancaster, OH	1
Boulder, CO	1	Las Vegas, NV	1
Camp Hill, PA	1	Lawrenceville, NJ	1
Cary, NC	1	Lima, OH	1
Cedar Rapids, IA	1	Lynchburg, VA	1
Cheyenne, WY	1	Mankato, MN	1
Chula Vista, CA	1	McAllen, TX	1
Clarksville, TN	1	Montgomery, AL	1
Colonial Heights, VA	1	New York, NY	1
Columbus, OH	1	Niles, OH	1
Daytona Beach, FL	1	Pacific Grove, CA	1
Elyria, OH	1	Palm Desert, CA	1
Fairlawn, OH	1	Palmdale, CA	1
Fort Gratiot, MI	1	Pineville, NC	1
Fort Myers, FL	1	Poughkeepsie, NY	1
Fredericksburg, VA	1	Rapid City, SD	1
Grand Forks, ND	1	Raynham, MA	1
Greenville, NC	1	Roanoke, VA	1
Hatillo, PR	1	Salisbury, MD	1
Hickory, NC	1	Vancouver, WA	1
Houston, TX	1	Victor, NY	1
Huntsville, AL	1	Watertown, NY	1
Johnstown, PA	1	Wichita Falls, TX	1
Joplin, MO	1	Wilmington, NC	1

Pier 1 maintains regional distribution center facilities in or near Baltimore, Maryland; Columbus, Ohio; Chicago, Illinois; Fort Worth, Texas; Los Angeles, California; Savannah, Georgia; and Montreal, Canada.

Registrant has provided a special after-tax reserve of \$16,507,000 to provide for the closing of approximately 50 unprofitable stores and to adjust the carrying value of the Registrant's holdings in General Host Corporation ("General Host") common stock. The store closing provision reflects anticipated costs associated with closing certain under performing stores including estimated costs relating to leases, fixed assets, relocation, inventory liquidation and losses from operations during interim period before closings. The adjustment to the carrying value of General Host common stock is Registrant's estimate of the portion of the decline in the market value that is other than temporary.

In fiscal 1993, the Registrant invested in preference stock of The Pier Retail Group Limited ("The Pier") located in the United Kingdom. As of April 26, 1994, investment in and loans to The Pier aggregated \$3.4 million, with additional debt guarantees of approximately \$4 million. The Pier is a ten-store retail operation that offers decorative home furnishings and related items in a store setting similar to that operated by Pier 1.

During fiscal 1994, Pier 1 became active in an arrangement to supply Sears de Mexico with Pier 1 merchandise to be sold in certain Sears stores throughout Mexico. Presently two Sears stores in Mexico City offer Pier 1 merchandise.

In April 1993, Registrant sold its 49.5% interest in Sunbelt Nursery Group, Inc. ("Sunbelt") to General Host in exchange for 1,940,000 shares of General Host common stock. In connection with Registrant's sale, Registrant agreed to make available up to \$25 million of properties for lease (the "Lease Commitment") to Sunbelt and to provide Sunbelt a \$12 million credit facility (the "Credit Facility") either in guarantees of Sunbelt indebtedness or direct loans until April 28, 1994. Sunbelt's repayment obligations under this agreement are secured by General Host's pledge of 4.2 million shares of Sunbelt common stock. Additionally, Registrant guarantees approximately \$4.5 million of Sunbelt's lease obligations. Currently, \$12 million in loans are outstanding under the Credit Facility and \$23 million of properties have been

leased to Sunbelt under the Lease Commitment. These leases are required to be refinanced by Sunbelt from September 1994 to October 1995. If Sunbelt defaults on refinancing these leases as the terms expire, Registrant will be required to obtain other financing for such leases.

During April 1994, Sunbelt sought an extension for repayment of loans under the Credit Facility, and on April 25, 1994, Registrant and Sunbelt entered into an Extension Agreement to extend the maturity of the Credit Facility from April 28, 1994, to June 30, 1994. Registrant granted the extension to allow Sunbelt additional time to obtain new financing to replace the Credit Facility. If Sunbelt is unable to refinance the debt prior to June 30, 1994, Sunbelt has reported that it would be unable to repay the debt at maturity. In such event, Sunbelt would be in default under the Credit Facility as well as the Lease Commitment. Sunbelt has also reported that such a default could force it to consider legal proceedings to restructure its obligations.

In May 1994, Registrant waived Sunbelt's breach of certain covenants relating to Sunbelt's failure to (i) timely deliver its annual report to Registrant, (ii) satisfy the required current ratio, and (iii) timely provide notice of such breaches. The waiver expires on June 30, 1994. In connection with such waiver, Sunbelt agreed to not borrow additional funds under the Credit Facility or Lease Commitment in excess of the amount outstanding at the time the waiver was consummated.

(b) Financial Information About Industry Segments.

Registrant operates in one business segment consisting of the retail sale of decorative home furnishings and related items.

Financial information with respect to Registrant's business is found in Registrant's Consolidated Financial Statements which are set forth in Item 8 herein.

(c) Narrative Description of Business.

The specialty retail operations of Pier 1 consist of a chain of retail stores operating in the United States, Canada, and Puerto Rico under the name "Pier 1 Imports" and selling a wide variety of furniture, decorative home furnishings, dining and kitchen goods, accessories and other specialty items for the home, and distinctive casual clothing and fashion accessories.

On February 26, 1994, Pier 1 operated 606 stores in 46 states of the United States, the District of Columbia and Puerto Rico, and 30 stores in four Canadian provinces as well as additional international operations in England and Mexico. It also had franchised 36 stores in 24 states. The company-operated Pier 1 stores average approximately 7,000 square feet in size of retail selling space, and are generally located in strip shopping centers or are freestanding units and are predominately located near or in suburbs of metropolitan areas. During fiscal 1994, net sales of Pier 1 totalled \$685.4 million. Pier 1 stores have their highest sales volumes during November and December, reflecting the Christmas selling season.

Pier 1 offers a diverse selection of products consisting of over 5,000 items. While the broad categories of Pier 1's merchandise remain constant, individual items within these product groupings change frequently in order to meet the demands of customers. The principal categories of merchandise include the following:

FURNITURE - This product group consists of furniture sold to be used on patios and in sun rooms, living, dining and kitchen areas, and constituted approximately 26.8%, 26.3% and 24.6% of the total retail sales of Pier 1 in fiscal years 1994, 1993 and 1992, respectively. These goods are mainly imported from Taiwan, Hong Kong, China, the Philippines and Indonesia, and are handcrafted from natural materials, including rattan, burl, willow, pine, beech, rubber, and selected hardwoods and have either natural or painted finishes. This product group also includes metal furniture.

DECORATIVE HOME FURNISHINGS - This product group constituted the broadest category of merchandise in Pier 1's sales mix and contributed approximately 24.4%, 23.7% and 23.9% to Pier 1's total retail sales in fiscal years 1994, 1993 and 1992, respectively. These items are imported from approximately 40 countries and include brass, marble, and wood items, as well as lamps, vases, dried and silk flowers, baskets, wall decorations and numerous other decorative items, practically all of which are handcrafted

from natural materials.

DINING AND KITCHEN GOODS - This product group is imported from India, the Far East and Europe and include ceramics, dinnerware and other functional and decorative items. These goods accounted for approximately 14.1%, 14.1% and 13.8% of the total retail sales of Pier 1 in fiscal years 1994, 1993 and 1992, respectively.

TEXTILES - This product group consists of linen items, padding, custom order fabrics as well as window coverings, bedspreads, and pillows of which the majority of these items are produced from original designs created both domestically and in India. These goods accounted for approximately 13.5%, 13.9% and 14.9% of the total retail sales of Pier 1 in fiscal years 1994, 1993 and 1992, respectively.

CLOTHING, JEWELRY AND FASHION ACCESSORIES - This product group is imported from India, Greece and Indonesia and accounted for approximately 12.1%, 14.4% and 15.4% of the total retail sales of Pier 1 in fiscal years 1994, 1993 and 1992 respectively.

Merchandise offered for sale in Pier 1's stores largely consists of items which require a significant degree of handcraftsmanship. A majority of the items is imported directly by Pier 1 from foreign suppliers. Although Pier 1 is not dependent on any particular supplier, it has enjoyed long-standing relationships with many vendors. During fiscal 1994, Pier 1 imported approximately 29% of its purchases from China, 19% from India, and another 31% was imported from Indonesia, Japan, Thailand, the Philippines, and Italy. The remaining 21% was imported from various Asian, European, Central American, South American and African countries or obtained from United States manufacturers, wholesalers or importers. In selecting the source of a product, Pier 1 considers quality, dependability of delivery and cost. For the most part, the imported merchandise is handcrafted in cottage industries and small factories.

Pier 1 currently operates 7 regional distribution centers located in or near Baltimore, Maryland; Los Angeles, California; Fort Worth, Texas; Chicago, Illinois; Savannah, Georgia; Columbus, Ohio, and Montreal, Canada. Imported merchandise and a portion of domestic purchases are delivered to the distribution centers, unpacked, and made available for shipment to the various stores in the center's region. The merchandise is then distributed to the retail stores by company-operated trucks and contract carriers. Due to the time delays involved in procuring merchandise from foreign suppliers, Pier 1 is required to maintain a significant amount of inventory in order to be assured of a sufficient supply of products to its customers. A stock of regularly reordered items and temporary inventory surpluses have, from time to time, been carried at the distribution centers.

Pier 1 stores have no direct national competitors. The major competition arises at a local level from other retailers offering similar lines of merchandise, such as small specialty sections of large department stores, home furnishing stores, small specialty import stores and discount stores. Registrant believes Pier 1 enjoys a competitive edge over these stores, due to its greater name awareness and the extent and variety of the merchandise offered at Pier 1 stores. While other competing stores may offer a few items that change somewhat infrequently, Pier 1 offers over 5,000 items of which approximately forty percent (40%), change each year.

As a retailer of imported merchandise, Pier 1 is subject to certain risks which typically do not affect retailers of domestically produced merchandise, including the need to order merchandise from four to twelve months in advance of delivery and to pay for such merchandise at such time as it is loaded for transport to designated U.S. or Canadian destinations. Additionally, dock strikes, fluctuations in currency values and monetary exchange rates, restrictions on the convertibility of the dollar and other currencies, duties, taxes and other charges on imports, import quota systems and other restrictions generally placed on foreign trade can affect the price, delivery and availability of ordered merchandise. The inability to import products from certain countries or the imposition of significant tariffs could have a material adverse effect on the results of operations of Pier 1.

In 1988, the Omnibus Trade and Competitiveness Act was signed into law. This legislation was enacted in response to a perceived decline in U.S. global competitiveness and the continuing presence of unfair trade practices that limit U.S. exporters' access to foreign markets. Under the law, unfair

trade practices of countries around the world may be investigated by the United States Trade Representative and such investigations may lead to sanctions which could take the form of quotas or increased duties on imports into the U.S.

On March 3, 1994, President Clinton signed an executive order re-instituting a trade provision known as Super 301 which is designed to allow negotiations before countries are designated as priority foreign countries. Priority foreign countries are the nations whose trade practices, if corrected, would provide the greatest potential for expansion of U.S. exports. The announcement did not designate any country or any practice. The current renewal of Super 301 will expire after two years. The United States may employ other measures to implement its international trade policies and objectives, such as the withdrawal, selectively or entirely, of most favored nation status ("MFN") to countries around the world which would cause import duties to increase. Presently, the President is considering the MFN status of the Peoples Republic of China, which, if lost entirely, would cause Registrant to source affected goods from other countries. Any type of sanction is likely to increase Registrant's import costs or limit the availability of products purchased from sanctioned countries. In such event, Registrant will seek similar products from other countries.

On April 14, 1994, the United States and more than 100 other countries reached an agreement to reduce, over time, tariff and non-tariff barriers to world trade in goods and services and to establish a new world trade organization to replace the General Agreement on Tariffs and Trade next year. The United States must have congressional approval to be bound by the terms of the agreement which was the culmination of seven years of negotiations. Any agreement which may reduce tariff and non-tariff barriers in international trade is considered beneficial to Registrant's business in the United States and around the world.

Pier 1 owns three federally registered service marks under which its company-operated and franchised stores do business. These registrations are numbered 948,076 and 1,620,518 for the mark PIER 1 IMPORTS and 1,104,059 for the mark PIER 1.

On May 3, 1994, Pier 1 employed approximately 7,850 persons: 500 were full time employees at Pier 1's home office, 3,900 were part time employees in its retail stores and distribution centers and 3,450 were full time employees in the stores and distribution centers.

Registrant maintains one wholly owned foreign subsidiary, which is incorporated under the laws of Hong Kong. The foreign subsidiary manages certain merchandise procurement, export and financial service functions for Pier 1.

Item 2. Properties.

(a) Properties of Registrant.

As a holding company, Registrant does not own any physical property materially important to the conduct of its business operations. Registrant's home office in Fort Worth, Texas is leased by Pier 1.

(b) Properties of Pier 1.

Pier 1 leases certain properties consisting principally of retail stores, warehouses and office space. In July 1985, Pier 1 entered into a lease agreement which currently provides 128,770 square feet of office space in downtown Fort Worth for Registrant's home office. Most of Pier 1's retail store operations are conducted pursuant to leases which are classified as operating leases, and at February 26, 1994, Pier 1's minimum operating lease commitments for various stores and warehouses aggregated approximately \$574 million.

Pier 1 currently owns and leases distribution space of approximately 3 million square feet. Additional space requirements could be accommodated, if necessary, by leasing additional space.

The following table shows the distribution by state of Pier 1 stores operated by Pier 1 as of February 26, 1994, prior to the fiscal 1994 provision to close 50 unprofitable stores:

United States and Puerto Rico

Alabama	4	Nebraska	3
Arizona	8	Nevada	3
Arkansas	2	New Hampshire	3
California	88	New Jersey	17
Colorado	14	New Mexico	2
Connecticut	11	New York	36
Delaware	2	North Carolina	11
District of Columbia	1	North Dakota	3
Florida	37	Ohio	34
Georgia	17	Oklahoma	6
Idaho	1	Oregon	5
Illinois	38	Pennsylvania	21
Indiana	9	Puerto Rico	1
Iowa	3	Rhode Island	2
Kansas	4	South Carolina	5
Kentucky	6	South Dakota	1
Louisiana	9	Tennessee	11
Maryland	16	Texas	49
Massachusetts	19	Utah	4
Michigan	22	Virginia	21
Minnesota	14	Washington	14
Mississippi	2	West Virginia	1
Missouri	12	Wisconsin	12
Montana	1	Wyoming	1

Canada

New Brunswick	1
Nova Scotia	2
Ontario	18
Quebec	9

Warehouse properties that are owned or leased by Pier 1 are as follows:

Location	Approx. Sq. Ft.	Owned/Leased Facility
Baltimore, Maryland	634,186 sq. ft.	Leased
Columbus, Ohio	527,127 sq. ft.	Leased
Chicago, Illinois	297,552 sq. ft.	Owned
Fort Worth, Texas	454,868 sq. ft.	Owned
Rancho Cucamonga, California	515,990 sq. ft.	Leased
Savannah, Georgia	393,216 sq. ft.	Owned
Montreal, Quebec, Canada	105,489 sq. ft.	Leased

Pier 1 participates in a limited partnership to provide for financing and construction of Pier 1 retail stores. As of May 1, 1994, the partnership owned 33 retail store sites that are currently open and operating. The investment by the partnership in land and building approximated \$44.3 million as of the end of April 1994.

Registrant has agreements with unaffiliated groups to lease certain stores and distribution center space. These unaffiliated groups are committed to make available up to \$101.8 million for development or acquisition of stores leased by Pier 1. Presently, Registrant has used \$99.5 million of that availability. Agreements with these groups mature over the next five years, and Registrant is continuously monitoring financial markets to optimize renewal terms. In connection with the financing of 38 stores by these unaffiliated groups, Registrant has guaranteed the residual value of these buildings at approximately \$25 million at the end of the lease terms.

Item 3. Legal Proceedings.

There are various claims, lawsuits, investigations and pending actions against Registrant and its subsidiaries incident to the operation of their businesses. Liability, if any, associated with these matters is not determinable at February 26, 1994. While a certain number of the lawsuits involve substantial amounts, it is the opinion of management, after consultation with counsel, that the ultimate resolutions of such litigation

will not have a material adverse effect on Registrant's financial position.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of Registrant's security holders during the fourth quarter of Registrant's fiscal year.

Executive Officers of Registrant

CLARK A. JOHNSON, age 63, is Chairman and Chief Executive Officer of Registrant, is a member of the Executive Committee and since March 1983 has been a Director of Registrant. From May 1985 to August 1988, Mr. Johnson was President and Chief Executive Officer of Registrant. He currently serves as a Director of Albertson's, Inc., InterTAN, Inc., The Actava Group Inc., Anacomp, Inc. and Heritage Media Corporation.

MARVIN J. GIROUARD, age 54, is President and Chief Operating Officer of Registrant and has been a Director since August 1988. From May 1985 until August 1988, he served as Senior Vice President - Merchandising of Pier 1 Imports (U.S.), Inc., a wholly owned subsidiary of Registrant. Additionally, he serves as a Director of ENSERCH Corporation.

ROBERT G. HERNDON, age 60, has been Executive Vice President of Registrant since August 1988 and Chief Financial Officer of Registrant since November 1985. He served as Senior Vice President from November 1985 to August 1988. He currently serves as a director of The Leather Factory.

J. RODNEY LAWRENCE, age 48, has been Senior Vice President of Legal Affairs and Secretary of Registrant and Pier 1 since June 1992, and served as Vice President of Legal Affairs and Secretary of Registrant from November 1985 to June 1992.

E. MITCHELL WEATHERLY, age 46, has been Senior Vice President of Human Resources of Registrant since June 1992 and served as Vice President of Human Resources of Registrant from June 1989 and of Pier 1 from August 1985 to June 1992.

JAMES R. TENER, age 45, has been Senior Vice President of Operations of Registrant and Pier 1 since June 1992 and served as Vice President of Operations of Pier 1 from December 1989 to June 1992.

ADRIAN G. LONG, age 54, has been Senior Vice President of Merchandising of Registrant and Pier 1 since June 1992 and served as Vice President of Merchandising of Pier 1 from August 1988 to June 1992.

PHIL E. SCHNEIDER, age 43, has been Senior Vice President of Marketing of Registrant and Pier 1 since May 1993 and served as Vice President of Advertising of Pier 1 from January 1988 to May 1993.

The officers of Registrant, who are appointed by the Board of Directors, hold office until their successors are elected and qualified, or until their earlier death, resignation or removal.

None of the above executive officers has any family relationship with any other of such officers. None of such officers was selected pursuant to any arrangement or understanding between him and any other person.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

MARKET PRICE AND DIVIDEND INFORMATION

Fiscal 1994	Market Price		Cash Dividends Per Share
	High	Low	
First Quarter	12 1/2	8 3/8	\$0.020
Second Quarter	10 1/8	8 1/4	0.025
Third Quarter	11 1/4	8 1/8	0.025
Fourth Quarter	10 7/8	8 3/8	0.025

Fiscal 1993

	11 5/8	8 5/8	\$0.015
First Quarter			
Second Quarter	9 5/8	6 5/8	0.015
Third Quarter	11 1/2	7 1/8	0.015
Fourth Quarter	13 1/8	10	0.020

Registrant's common stock is traded on the New York Stock Exchange. As of May 4, 1994, there were approximately 16,000 shareholders of Registrant's common stock.

Certain of Registrant's existing loan agreements limit specific payments and distributions, including cash dividends, loans to shareholders and purchases of treasury stock. Generally Registrant may make "restricted payments", as defined in the loan agreements, which include the payment of cash dividends, up to an aggregate maximum of \$10 million as of February 26, 1994. Additionally, Registrant is required to maintain various other financial ratios. Registrant's Board of Directors currently expects to pay modest cash dividends in fiscal 1995, but intends to retain most of the future earnings for the expansion of Registrant's business. A cash dividend of \$.025 per share was paid May 18, 1994. Registrant's dividend policy will depend upon the earnings, financial condition and capital needs of Registrant and other factors deemed relevant by Registrant's Board of Directors.

Item 6. Selected Financial Data.

Pier 1 Imports, Inc.

FINANCIAL SUMMARY (See Notes)

(\$ in millions except per share amounts)

	10-Year Compound Annual Growth Rate	Year Ended										
		1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
Summary of operations:												
Net sales	16.6%	\$685.4	629.2	586.7	562.7	516.9	414.6	327.2	262.3	203.9	173.5	147.3
Gross profit	15.7%	\$259.6	246.2	228.4	210.5	210.1	169.7	135.2	109.0	81.6	68.1	60.2
Selling, general and administrative expenses	16.2%	\$195.4	180.2	172.4	169.9	148.8	117.8	96.0	78.6	59.3	51.4	43.6
Depreciation and amortization	18.9%	\$15.8	15.1	15.0	14.3	13.1	10.0	7.9	5.5	3.5	2.8	2.8
Store-closing provision and other		\$23.3	-	-	-	-	-	-	-	-	-	-
Interest expense, net	19.2%	\$16.8	15.0	16.3	12.3	9.7	10.0	8.1	3.6	3.6	3.0	2.9
Income before income taxes and equity in net income (loss) of subsidiary	(2.6)%	\$8.4	35.9	30.5	14.0	38.5	31.9	23.2	21.3	15.2	10.9	10.9
Equity in net income (loss) of subsidiary		\$ -	(3.6)	4.5	(2.4)	-	-	-	-	-	-	-
Net income for common stockholders	2.1%	\$5.9	23.0	26.3	6.3	25.3	21.6	15.8	12.0	8.6	5.9	4.8
Per common share data (adjusted for stock splits and dividends):												
Net income for common stockholders	(1.7)%	\$0.16	0.62	0.71	0.17	0.67	0.67	0.49	0.39	0.32	0.23	0.19
Cash dividends declared		\$0.10	0.07	-	0.15	0.12	0.08	0.06	0.02	0.01	-	-
Stockholders' equity	16.4%	\$5.34	5.37	4.78	4.28	4.82	3.60	2.92	2.45	1.81	1.35	1.17
Other financial data:												
Working capital	19.5%	\$229.0	225.2	160.0	126.7	144.3	117.2	87.2	96.8	43.4	38.6	38.5
Current ratio		3.5	3.4	3.0	2.1	3.2	2.9	2.3	3.3	2.4	3.5	4.4
Total assets	21.3%	\$463.3	460.5	386.4	428.9	350.5	299.9	257.9	218.3	106.6	76.5	67.4
Long-term debt	18.4%	\$145.2	147.2	106.8	140.6	92.6	121.3	96.5	101.5	26.7	26.7	26.9
Stockholders' equity	21.2%	\$201.1	200.5	177.1	156.3	181.4	115.8	94.1	74.4	48.5	34.3	29.3
Weighted average number of shares outstanding and common share equivalents (millions)	4.2%	37.6	37.4	37.0	36.5	37.6	32.2	32.2	30.4	26.8	25.4	25.0
Effective tax rate		29.0%	25.9	28.3	35.8	33.7	31.5	30.8	43.7	43.2	46.0	51.2
Return on common stockholders' average equity		3.0%	12.2	15.8	3.7	17.0	20.6	18.8	19.5	20.8	18.6	22.5
Return on average total assets		1.3%	5.4	6.5	1.6	7.8	7.7	6.6	7.4	9.4	8.2	7.8
Pre-tax return on sales		1.2%	5.7	5.2	2.5	7.4	7.7	7.1	8.1	7.5	6.3	7.4

<FN>
Note (1)--This financial summary is prepared on the basis of continuing operations after the distribution of the common shares of two subsidiaries to shareholders in December 1985, and before the tax benefits of operating loss carryforwards fully utilized in fiscal 1986.

Note (2)--In fiscal 1994, the following calculations were without the impact of the store-closing provision and other:

--10-year compound annual growth rate:	
Income before income taxes and equity in net income (loss) of subsidiary	11.2%
Net income for common stockholders	16.7%
Net income for common stockholders per common share	12.2%
--Ratios on results from operations:	
Return on common stockholders' average equity	10.8%
Pre-tax return on sales	4.6%

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Pier 1 Imports, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Pier 1 Imports, Inc. is North America's largest specialty retailer of decorative home furnishings, gifts and related items, with stores in 47 states, Puerto Rico and Canada, and additional international operations in England and Mexico. Registrant reported record sales of \$685,393,000 for fiscal 1994 and net income of \$5,933,000, or \$.16 per share, after providing an after-tax special charge of \$16,507,000 in the fourth quarter for closing approximately 50 unprofitable stores and adjusting the carrying value of General Host common stock. If the special charge had not been provided, net income for the year would have totalled \$22,440,000, or \$.60 per share, compared to \$23,017,000, or \$.62 per share, last year. Stores in operation at fiscal year-end aggregated 586 after removing stores to be closed. In early fiscal 1994, Registrant sold its interest in Sunbelt to General Host.

Fiscal Years Ended February 26, 1994 and February 27, 1993

Net sales in fiscal 1994 grew \$56.2 million or 8.9% over the prior year with same-store sales growth of 4.8%. Last year net total sales grew 7.3% and same-store sales grew 3.7%. Forty-eight (48) new stores opened during the year and 17 stores closed, before giving effect to the provision for the closing of 50 stores.

Gross profit, after related buying and store occupancy costs, expressed as a percentage of net sales, declined 1.2% from 39.1% in fiscal 1993 to 37.9% in fiscal 1994. Store occupancy costs, expressed as a percentage of net sales, improved slightly due to higher sales volumes. The sales mix of furniture and decorative goods remained unchanged as a percentage of sales; however, promotional markdowns and other discounts caused reduced margins on these goods. Sales from clothing, jewelry and accessories compared to total sales declined, as did the gross profit rate due to additional promotional markdowns taken in fiscal 1994 compared with fiscal 1993.

Selling, general and administrative expenses, including advertising, improved 0.1% to 28.5% as a percentage of sales in fiscal 1994 compared to 28.6% in fiscal 1993. In total dollars, expenses for fiscal 1994 increased \$15.2 million over the prior year primarily due to 31 net new stores opened during the year (before giving effect to the provision for the closing of 50 stores), new point-of-sale register equipment installed in all stores, new selling programs introduced in stores, losses related to the earthquake in California and severe weather during fiscal 1994.

The store-closing provision of \$21.3 million and the \$2.0 million adjustment to the carrying value of General Host common stock were special charges in fiscal 1994. The store-closing provision reflected the anticipated costs associated with closing certain underperforming stores. This provision includes estimated costs related to leases, fixed assets, relocation, inventory liquidation and losses from operations during the interim period before closings. The adjustment to the carrying value of General Host common stock is management's estimate of the portion of the decline in the market value that is other than temporary.

Operating income declined \$25.8 million to \$25.1 million in fiscal 1994 from \$50.9 million in the prior year, due to the special charges in fiscal 1994 and the gross profit rate decline from fiscal 1993.

During fiscal 1994, cash was utilized to reduce short-term debt, fund inventory and fixtures for new store development, expand the Pier 1 credit card program, and pay dividends to shareholders. Due to lower interest income on declining cash balances, net interest expense increased \$1.8 million in fiscal 1994 over the prior year.

Registrant's effective income tax rate for fiscal 1994 increased to 29% compared to 25.9% in fiscal 1993, primarily due to an increase in the state tax effective rate.

Registrant's equity in losses from Sunbelt was \$3.6 million in fiscal 1993. In April 1993, Registrant completed the sale of its 49.5% interest in

Sunbelt. Sunbelt's results were not included in Registrant's earnings during fiscal 1994.

Net income for fiscal 1994 aggregated \$5.9 million, or \$.16 per share, compared to income of \$23.0 million, or \$.62 per share last year.

Fiscal Years Ended February 27, 1993 and February 29, 1992

During fiscal 1993, net sales grew \$42.6 million or 7.3% with same-store sales contributing 3.7% over fiscal 1992. Sales from stores opened in fiscal years 1993 and 1992 increased fiscal 1993 sales levels by 3.6% when compared to fiscal 1992. Twenty-six new stores (net 20) were opened during fiscal 1993.

Gross profit, after related buying and store occupancy costs, expressed as a percentage of net sales, increased to 39.1% during fiscal 1993 from 38.9% in fiscal 1992. The improvement was the result of store occupancy costs which, as a percentage of sales, improved due to higher sales volumes. Merchandise gross margin in fiscal 1993 remained unchanged as a percentage of sales from fiscal 1992 due to a similar merchandise mix in both years, and, although promotional sales discounts increased in fiscal 1993 from a year ago, there was a reduction in the amount of clearance markdowns and shrinkage in fiscal 1993 versus fiscal 1992.

Selling, general and administrative expenses, including advertising, improved 0.8% to 28.6% as a percentage of sales in fiscal 1993 compared to 29.4% in fiscal 1992. In total dollars, expenses for fiscal 1993 increased \$7.7 million over the prior year, principally due to 20 net new stores in operation by the end of fiscal 1993. This increase resulted in higher payroll and store-related costs as well as increased catalog and other promotional advertising. These increased costs from fiscal 1992 were partially offset by expense control, favorable medical insurance claim experience, lower Pier 1 credit card expenses, the reduction in scope of the mid-year physical inventory counts, and decreased litigation costs.

Operating income increased \$9.9 million to \$50.9 million in fiscal 1993 from \$41 million a year earlier, mainly due to revenue growth from both new store openings and existing store sales and the reductions in controllable expenses.

Net interest expense decreased \$1.4 million during fiscal 1993 from fiscal 1992 due to a decline in Registrant's debt (net of cash) position and a slight decrease in Registrant's effective interest rate.

During fiscal 1992, Registrant recorded a one-time gain of \$5.9 million related to the sale of 50.5% of Sunbelt's common stock.

Registrant's effective income tax rate for fiscal 1993 decreased to 25.9% from 28.3% due to the benefit of lower tax rates on income from foreign subsidiaries and tax-favored investment income.

Registrant recorded equity in losses of Sunbelt during fiscal 1993 of \$3.6 million compared to income of \$4.5 million in fiscal 1992. During fiscal 1993, Registrant included only 49.5% of Sunbelt's earnings during an unprofitable year, compared to 100% in fiscal 1992 when Sunbelt experienced greater profits.

Net income for fiscal 1993 of \$23.0 million, or \$.62 per share, was below last year's \$26.3 million, or \$.71 per share, as a result of Sunbelt's losses in fiscal 1993 and the gain on sale of Sunbelt stock in fiscal 1992.

Liquidity and Capital Resources

The sources of liquidity during the past three years have been earnings from operations, working capital changes, long-term borrowings, and the sale of 50.5% of Sunbelt stock in fiscal 1992. Primarily, these funds were utilized to reduce short-term debt, acquire property and equipment, finance the expansion of inventories and the Pier 1 credit card program, and pay dividends.

During fiscal 1994, increases in inventory and capital expenditures were required to support the opening 48 new stores. Financing for new store land and building costs is provided by operating leases. Registrant's new store development plan for fiscal 1995 is approximately 50 stores. Inventory and fixtures for the development plan are estimated to cost approximately \$15

million, which will be funded by operations, working capital and bank lines of credit. Cash requirements to close 50 stores in fiscal 1995 through the store-closing program are estimated to aggregate \$16 million and will be funded through working capital and operations.

New store construction funding is expected to be provided by operating leases. Registrant is expanding existing lease facilities and exploring additional financing opportunities currently available in the capital markets. In connection with leases for 38 stores executed in prior years, Registrant has guaranteed the residual building values at approximately \$25 million. Minimum future operating lease commitments expected for fiscal 1995 aggregate to \$86 million, and the present value of total existing operating lease commitments is \$372 million. These commitments will be funded from operating cash flow.

Working capital requirements are currently provided by cash, short-term revolving lines of credit, including bankers' acceptances and working capital loans, in an aggregate amount of approximately \$165 million. Registrant's current ratio was 3.5 to 1 at the end of fiscal 1994 compared to 3.4 to 1 a year earlier.

In connection with Registrant's sale of its Sunbelt investment to General Host, Registrant provided Sunbelt a line of credit aggregating \$12 million, all of which was outstanding at February 26, 1994. In order for Sunbelt to meet repayment obligations under this line, Sunbelt must obtain replacement financing. To enable Sunbelt to raise these funds, Registrant has granted Sunbelt a temporary extension of the credit facility until June 30, 1994. Also, Registrant is committed to provide Sunbelt \$25 million of non-revolving store development financing through April 1996. Registrant has arranged for a bank group to provide financing by which Registrant leases from an unaffiliated third party and subleases store sites to Sunbelt. Under this leasing facility, the leases are required to be refinanced by Sunbelt from September 1994 to October 1995. If Sunbelt defaults on refinancing these store leases as the terms expire, Registrant will be required to obtain other financing. Registrant expects financing of Sunbelt's store sites to remain at same or similar terms and conditions as are currently in place. In addition to the above, Registrant also guarantees approximately \$4.5 million of Sunbelt store lease commitments. Registrant's line of credit and leasing commitments are collateralized by 4.2 million shares of Sunbelt's common stock.

The Board of Directors anticipates a continuation of its current cash dividends to shareholders.

In fiscal 1993, Registrant invested in preference stock of The Pier Retail Group Limited ("The Pier") located in the United Kingdom. Currently, investment in and loans to The Pier aggregate \$3.4 million, with additional debt guarantees of approximately \$4 million. The Pier is a ten-store retail operation that offers decorative home furnishings and related items in a store setting similar to that operated by Registrant.

Registrant's inventory purchases are made almost entirely in U.S. dollars. To the extent purchases are made in foreign currencies, Registrant usually enters into forward exchange contracts when they are available in order to manage its exposure to foreign currency exchange fluctuations.

Registrant believes the funds provided from operations, coupled with Registrant's cash position and available lines of credit, are more than sufficient to meet its foreseeable cash requirements.

Impact of Inflation and Changing Prices

Inflation has not had a significant impact on the operations of Registrant.

Impact of New Accounting Standards

The adoption of Financial Accounting Standards Board's Statements No. 114 and 115 is expected to have no impact on Registrant's results of operations.

Item 8. Financial Statements and Supplementary Data.

Index to Financial Statements

Financial Statements:

Report of Independent Accountants
Consolidated Statement of Operations for the
Years ended February 26, 1994, February 27, 1993
and February 29, 1992
Consolidated Balance Sheet at February 26, 1994 and
February 27, 1993
Consolidated Statement of Cash Flows for the years
ended February 26, 1994, February 27, 1993 and
February 29, 1992
Consolidated Statement of Stockholders' Equity for the
years ended February 26, 1994, February 27, 1993 and
February 29, 1992
Notes To Consolidated Financial Statements

Financial Statement Schedules
For the years Ended February 26, 1994, February 27, 1993
and February 29, 1992
II Amounts Receivable From Related Parties and Underwriters,
Promoters and Employees Other Than Related Parties
V Property, Plant and Equipment
VI Accumulated Depreciation and Amortization of Property
Plant and Equipment
VIII Valuation and Qualifying Accounts and Reserves
IX Short-Term Borrowings
X Supplementary Income Statement Information

All other schedules are omitted because they are not applicable or the
required information is shown in the financial statements or notes thereto.

Pier 1 Imports, Inc.
REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Pier 1 Imports, Inc.

In our opinion, the consolidated financial statements listed in the
accompanying index present fairly, in all material respects, the financial
position of Pier 1 Imports, Inc. and its subsidiaries at February 26, 1994
and February 27, 1993, and the results of their operations and their cash
flows for each of the three years in the period ended February 26, 1994, in
conformity with generally accepted accounting principles. These financial
statements are the responsibility of the Registrant's management; our
responsibility is to express an opinion on these financial statements based
on our audits. We conducted our audits of these statements in accordance
with generally accepted auditing standards which require that we plan and
perform the audit to obtain reasonable assurance about whether the financial
statements are free of material misstatement. An audit includes examining,
on a test basis, evidence supporting the amounts and disclosures in the
financial statements, assessing the accounting principles used and
significant estimates made by management, and evaluating the overall
financial statement presentation. We believe that our audits provide a
reasonable basis for the opinion expressed above.

/s/ Price Waterhouse

Fort Worth, Texas
April 14, 1994

Pier 1 Imports, Inc.
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands except per share amounts)

	Year Ended		
	1994	1993	1992
Net sales	\$685,393	\$629,235	\$586,659

Operating costs and expenses			
Cost of sales (including buying and store occupancy)	425,801	383,053	358,216
Selling, general and administrative expenses	195,444	180,218	172,478
Depreciation and amortization	15,771	15,097	15,006
Store-closing provision and other	23,250	--	--
	-----	-----	-----
	660,266	578,368	545,700
	-----	-----	-----
Operating income	25,127	50,867	40,959
Gain on sale of subsidiary stock	--	--	5,886
Interest expense, net	16,771	14,956	16,312
	-----	-----	-----
Income before income taxes and equity in net income (loss) of subsidiary	8,356	35,911	30,533
Provision for income taxes	2,423	9,309	8,656
	-----	-----	-----
Income before equity in net income (loss) of subsidiary	5,933	26,602	21,877
Equity in net income (loss) of subsidiary	--	(3,585)	4,456
	-----	-----	-----
Net income	5,933	23,017	26,333
Cumulative dividends on preferred stock	--	11	--
	-----	-----	-----
Net income available to common stockholders	\$ 5,933	\$ 23,017	\$ 26,322
	=====	=====	=====
Net income per common share	\$.16	\$.62	\$.71
	=====	=====	=====

<FN>

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

/TABLE

Pier 1 Imports, Inc.
CONSOLIDATED BALANCE SHEET
(in thousands)

<TABLE>

	1994	1993
	-----	-----
ASSETS		
Current assets:		
Cash, including temporary investments of \$7,466 and \$66,823, respectively	\$ 17,123	\$ 73,585
Accounts receivable, net of allowance for doubtful accounts of \$2,072 and \$2,404, respectively	51,722	34,920
Inventories	219,646	189,593
Other current assets	32,901	20,038
	-----	-----
Total current assets	321,392	318,136
Properties, net	111,510	108,011
Other assets	30,400	34,350
	-----	-----
	\$463,302	\$460,497
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 2,639	\$ 33,139
Accounts payable and accrued liabilities	89,772	59,791

Total current liabilities	----- 92,411	----- 92,930
Long-term debt	145,231	147,246
Deferred income taxes	3,407	514
Other non-current liabilities	21,160	19,313
Stockholders' equity:		
Common stock, \$1.00 par, 100,000,000 shares authorized, 37,617,000 and 37,607,000 outstanding, respectively	37,617	37,607
Paid-in capital	92,670	93,184
Retained earnings	76,597	74,413
Cumulative translation adjustments	(964)	(433)
Less--98,000 and 263,000 common shares in treasury, at cost, respectively	(884)	(2,599)
Less--subscriptions receivable and unearned compensation	(1,369)	(1,678)
Less--unrealized loss on marketable equity securities	(2,574)	--
	----- 201,093	----- 200,494
Commitments and contingent liabilities	----- \$463,302	----- \$460,497
	=====	=====

<FN>

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

/TABLE

Pier 1 Imports, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

<TABLE>

	Year Ended		
	----- 1994 -----	----- 1993 -----	----- 1992 -----
Cash flow from operating activities:			
Net income	\$ 5,933	\$23,017	\$26,333
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	15,771	15,097	15,006
Deferred taxes and other	(3,006)	(764)	4,475
Equity in undistributed losses (earnings) of subsidiary	--	3,585	(4,456)
Gain on sale of subsidiary stock	--	--	(5,886)
Store-closing provision and other	23,250	--	--
Change in cash from:			
Inventories	(30,053)	(8,201)	761
Accounts receivable and other current assets	(17,550)	(3,670)	1,054
Accounts payable and accrued expenses	10,103	446	7,557
Other assets, liabilities, and other, net	1,077	1,011	(13)
Net cash provided by operating activities	----- 5,525 -----	----- 30,521 -----	----- 44,831 -----
Cash flow from investing activities:			
Capital expenditures	(24,617)	(12,619)	(6,169)
Proceeds from disposition of properties	791	159	14,076
Other investments	(2,353)	--	--
Net cash (used in)/provided by investing activities	----- (26,179) -----	----- (12,460) -----	----- 7,907 -----
Cash flow from financing activities:			
Cash dividends	(3,560)	(2,409)	(11)

Net proceeds/(repayments) from issuance of long-term debt	--	36,991	(35,394)
Net (payments)/borrowings under line of credit agreements	(33,000)	9,983	(46,000)
Proceeds from subsidiary stock sale	--	--	18,072
Proceeds from sales of capital stock, treasury stock, and other	752	1,958	3,144
Net cash (used in)/provided by financing activities	(35,808)	46,523	(60,189)
Change in cash	(56,462)	64,584	(7,451)
Cash at beginning of year	73,585	9,001	16,452
Cash at end of year	\$17,123	\$73,585	\$ 9,001

<FN>

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

/TABLE

Pier 1 Imports, Inc.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE YEARS ENDED FEBRUARY 26, 1994 (in thousands)

<TABLE>

	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments	Treasury Stock	Subscriptions Receivable and Unearned Compensation	Unrealized Loss on Marketable Equity Securities	Total Stockholders' Equity
Balance March 2, 1991	\$1,500	\$36,156	\$86,916	\$41,133	\$1,064	(\$6,831)	(\$3,688)	\$ --	\$156,250
Purchase of treasury stock	--	--	--	--	--	(2,187)	893	--	(1,294)
Restricted stock grant and amortization	--	--	(37)	--	--	(255)	535	--	243
Adjust to Sunbelt fiscal year-end date	--	--	--	(1,177)	--	--	--	--	(1,177)
Exercise of stock options and other	--	(2)	(1,363)	(160)	--	4,722	--	--	3,197
Currency translation adjustments	--	--	--	--	(494)	--	--	--	(494)
Cash dividends	--	--	--	(11)	--	--	--	--	(11)
Three percent stock dividend	--	1,071	9,098	(10,169)	--	--	--	--	--
Retirement of preferred stock	(1,500)	--	(2,311)	(2,105)	--	--	--	--	(5,916)
Net income	--	--	--	26,333	--	--	--	--	26,333
Balance February 29, 1992	--	37,225	92,303	53,844	570	(4,551)	(2,260)	--	177,131
Purchase of treasury stock	--	--	--	--	--	(1,226)	--	--	(1,226)
Restricted stock grant and amortization	--	--	(18)	--	--	(511)	582	--	53
Exercise of stock options and other	--	382	899	(39)	--	3,689	--	--	4,931
Currency translation adjustments	--	--	--	--	(1,003)	--	--	--	(1,003)
Cash dividends	--	--	--	(2,409)	--	--	--	--	(2,409)
Net income	--	--	--	23,017	--	--	--	--	23,017
Balance February 27, 1993	--	37,607	93,184	74,413	(433)	(2,599)	(1,678)	--	200,494
Purchase of treasury stock	--	--	--	--	--	(1,545)	--	--	(1,545)
Restricted stock grant and amortization	--	--	(62)	--	--	9	309	--	256
Exercise of stock options and other	--	10	(452)	(189)	--	3,251	--	--	2,620
Currency translation adjustments	--	--	--	--	(531)	--	--	--	(531)
Unrealized loss on marketable equity securities	--	--	--	--	--	--	--	(2,574)	(2,574)
Cash dividends	--	--	--	(3,560)	--	--	--	--	(3,560)
Net income	--	--	--	5,933	--	--	--	--	5,933

Balance February 26, 1994	\$ --	\$37,617	\$92,670	\$76,597	(\$ 964)	(\$ 884)	(\$1,369)	(\$2,574)	\$201,093
	=====	=====	=====	=====	=====	=====	=====	=====	=====

<FN>

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

Pier 1 Imports, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Statement of significant accounting policies

Basis of consolidation - The consolidated financial statements of Pier 1 Imports, Inc. and its consolidated subsidiaries include the accounts of all subsidiary companies. Material intercompany transactions and balances have been eliminated.

Fiscal periods - Registrant utilizes 5-4-4 quarterly accounting periods with the fiscal year of 52 weeks ending on the Saturday nearest the last day of February. Fiscal 1994 ended February 26, 1994, fiscal 1993 ended February 27, 1993, and fiscal 1992 ended February 29, 1992.

Cash and cash equivalents - Registrant considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. The effect of foreign currency exchange rate changes on cash is not material.

Marketable equity securities - Registrant records marketable equity securities at the lower of cost or market. Unrealized gains and losses on non-current marketable equity securities and related income tax effects are accumulated and included as a separate component of stockholders' equity. Adjustments for any impairments in the value (based on market conditions) that are deemed to be other than temporary are included as a loss in the current year's operations. In fiscal 1994, General Host Corporation ("General Host") common stock was Registrant's only non-current marketable equity security.

Translation of foreign currencies - Assets and liabilities are translated to U.S. dollars at fiscal year-end exchange rates. Income and expense items are translated at average rates of exchange prevailing during the year. Translation adjustments are accumulated in a separate component of stockholders' equity.

Inventories - Inventories are comprised primarily of finished merchandise and are stated at the lower of average cost or market; cost is determined principally on the first-in, first-out method.

Properties, maintenance and repairs - Buildings, equipment, furniture and fixtures, and leasehold interests and improvements are carried at cost less accumulated depreciation. Depreciation is based on the straight-line method over estimated useful lives or lease terms, if shorter.

Expenditures for maintenance, repairs and renewals which do not materially prolong the useful lives of the assets are charged to expense as incurred. In the case of disposals, assets and the related depreciation are removed from the accounts and the net amount, less proceeds from disposal, is credited or charged to income.

Deferred costs - Certain costs associated with the acquisition of new proprietary credit card accounts are capitalized and amortized over the average life of an account. Preopening costs associated with new stores are capitalized and expensed over one year.

Advertising costs - All advertising costs are expensed the first time the advertising takes place.

Income taxes - Income tax expense for fiscal 1994 and 1993 is based on the liability method under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). See Note 9 for further description. SFAS 109 was issued in February 1992 and was adopted by Registrant in the fourth quarter retroactively to the beginning of the 1993 fiscal year. The adoption had no effect on Registrant's financial position or results of operations. Deferred federal income taxes, net of applicable foreign tax credits, are not provided on the undistributed earnings of foreign subsidiaries to the extent Registrant intends to permanently reinvest such earnings abroad. At February 26, 1994, such undistributed earnings aggregated \$9.9 million.

Earnings per share - Earnings per share during a period are computed on the weighted average number of common shares plus common stock equivalents outstanding and were 37,648,000, 37,359,000 and 37,023,000 for fiscal 1994, 1993 and 1992, respectively. Computation of weighted average shares outstanding for fiscal 1994, 1993 and 1992 includes common stock equivalents of 443,000, 595,000 and 590,000, respectively. The computation of weighted average number of shares for each year gives retroactive effect to the 2% stock dividend distributed May 15, 1991 and the 3% stock dividend distributed November 19, 1991. Fully diluted earnings per share is based on the assumed conversion of all of the 6-7/8% Convertible Subordinated Notes into common stock, whereby interest expense and debt issue costs, net of tax, on the 6-7/8% Convertible Subordinated Notes is added back to net earnings. Fully diluted earnings per share resulted in less than 3% dilution of primary earnings per share for each of the three fiscal years ended February 26, 1994 and all periods presented with the exception of the first and second quarters of fiscal years 1994 and 1993.

Note 2 - Proprietary credit card information

Registrant's Preferred Customer Card is managed and administered by an unrelated third party. Credit card account origination costs of \$976,000, \$480,000 and \$528,000 were deferred during fiscal years 1994, 1993 and 1992, respectively. Registrant is amortizing these costs over 36 months, which Registrant believes is the approximate average active life of an account. The credit cards have no expiration date and no annual fee for the use of the card. At February 26, 1994 and February 27, 1993, deferred costs, net of amortization, totalled \$1,135,000 and \$759,000, respectively.

Concentrations of credit risk with respect to customer receivables are limited due to the large number of customers comprising Registrant's base and their dispersion across may different geographic areas of the country.

Net credit card charges on Registrant's proprietary credit card accounts are netted against selling, general and administrative expenses. A summary of Registrant's credit card results for each of the three fiscal years ended February 26, 1994 follows (in thousands):

	1994	1993	1992
	-----	-----	-----
[S]	[C]	[C]	[C]
Costs:			
Processing fees	\$ 6,114	\$ 5,049	\$ 4,875
Bad debt expense	2,195	1,855	2,702
	-----	-----	-----
	8,309	6,904	7,577
	-----	-----	-----
Income:			
Finance charges	6,087	4,998	4,751
Insurance and other income	238	165	185
	-----	-----	-----
	6,325	5,163	4,936
	-----	-----	-----
Net credit card costs	\$ 1,984	\$ 1,741	\$ 2,641
	=====	=====	=====
Pier 1 Preferred Card sales	\$98,625	\$60,661	\$48,998
	=====	=====	=====
Net cost as a percent of credit sales	2.0%	2.9%	5.4%
	=====	=====	=====

Note 3 - Properties

Properties are summarized as follows at February 26, 1994 and February 27, 1993 (in thousands):

	1994	1993
	-----	-----
Land	\$ 7,205	\$ 7,204
Buildings	33,063	32,688
Equipment, furniture and fixtures	90,505	85,413
Leasehold interests and improvements	79,022	71,545
Construction in progress	190	214
	-----	-----
	209,985	197,064

Less accumulated depreciation and amortization	98,475	89,053
	-----	-----
Properties, net	\$111,510	\$108,011
	=====	=====

Note 4 - Accounts payable and accrued liabilities/Other non-current liabilities

The following is a summary of accounts payable and accrued liabilities and other non-current liabilities at February 26, 1994 and February 27, 1993 (in thousands):

	1994	1993
	-----	-----
Trade accounts payable	\$27,937	\$23,603
Accrued payroll and fringes	16,933	17,637
Accrued taxes, other than income	2,913	2,412
Accrued interest	3,397	3,560
Accrued real property tax	4,697	3,830
Store-closing provision	21,250	--
Other accrued liabilities and expenses	12,645	8,749
	-----	-----
Accounts payable & accrued liabilities	\$89,772	\$59,791
	=====	=====
Accrued average rent	\$15,034	\$13,531
Other non-current liabilities	6,126	5,782
	-----	-----
Other non-current liabilities	\$21,160	\$19,313
	=====	=====

Note 5 - Store-closing provision and other

The store-closing provision of \$21.3 million and the \$2.0 million adjustment to the carrying value of General Host common stock were special charges in fiscal 1994. The store-closing provision reflects the anticipated costs associated with closing certain underperforming stores. This provision includes estimated costs related to leases, fixed assets, relocation, inventory liquidation and losses from operations during the interim period before closings. The adjustment to the carrying value of General Host common stock is management's estimate of the portion of the decline in the market value that is other than temporary.

Note 6 - Current and long-term debt

Registrant has various lines of credit available which aggregate approximately \$165 million. At year-end, approximately \$41 million had been committed under various outstanding letters of credit issued primarily in conjunction with overseas merchandise procurements, leaving \$124 million of available lines of credit. The lines may be used for borrowings through working capital loans, bankers' acceptances or letters of credit. The weighted average interest rate on short-term borrowings outstanding during the year was 4.0%.

Long-term debt is summarized as follows (in thousands):

	1994	1993
	-----	-----
11-1/2% subordinated debentures, net of original issue discount of \$2,812 and \$3,179, respectively	\$ 22,188	\$ 21,821
Industrial revenue bonds	25,000	25,000
11% senior notes	25,000	25,000
6-7/8% convertible subordinated notes	75,000	75,000
Capital lease obligations	475	564
Other	207	--
	-----	-----
	147,870	147,385
Less - portion due within one year	2,639	139
	-----	-----
	\$145,231	\$147,246
	=====	=====

In July 1983, Registrant issued \$25 million of 11-1/2% subordinated debentures. Interest is payable on January 15 and July 15. Mandatory annual \$2.5 million sinking fund payments will commence in July 1994 and will continue until they mature in July 2003. The debentures are callable at any time at par plus accrued interest.

In fiscal 1987, Registrant entered into industrial revenue development bond loan agreements aggregating \$25 million which mature in the year 2026. Proceeds were used to construct three warehouse distribution facilities. These bonds are 7-day lower floater put bonds and interest rates float with the market rate for tax-exempt paper. Interest is payable monthly.

In May 1991, Registrant issued \$25 million of 11% senior notes due June 1, 2001. Annual principal reductions in the amount of \$5 million are due beginning June 1, 1997. Interest is payable each June 1 and December 1.

In April 1992, Registrant issued \$75 million of 6-7/8% Convertible Subordinated Notes. These notes are convertible into shares of common stock of Registrant at \$12.00 per share at any time at or prior to maturity which is April 1, 2002. The notes may be redeemed by Registrant at any time on or after April 1, 1995 in whole or in part, but redemption prior to the year 2000 would be at a premium. Interest on the notes is payable each April 1 and October 1.

As of February 26, 1994, the fair value of long-term debt was \$155.0 million compared to its recorded value of \$147.9 million. The fair value of long-term debt was estimated based on the quoted market values for the same or similar debt issues, or rates currently available for debt with similar terms. There are no other significant assets or liabilities with a fair value different from the recorded value.

Registrant has an interest rate hedging agreement on \$100 million of notional principal with a commercial bank intended to limit Registrant's exposure to interest rate fluctuations on floating rate obligations. This agreement was designated as a hedge contract; therefore, the differential to be paid or received is recognized over the life of the agreement. The fair value of this hedging agreement was \$2.2 million at year end and represented the estimated amount, which was obtained from counterparties, that Registrant would pay to terminate the agreement at February 26, 1994.

Long-term debt matures as follows (in thousands):

1995	\$ 2,639
1996	2,940
1997	2,566
1998	7,537
1999	7,500
Thereafter	124,688

	\$147,870
	=====

Registrant's loan agreements require that Registrant maintain certain financial ratios and limit specific payments and equity distributions including cash dividends, loans to shareholders and purchases of treasury stock. At year-end, the most restrictive of the agreements limits the aggregate of such payments to \$10 million.

Note 7 - Employee benefit plans

In 1986, Registrant adopted a qualified, defined contribution employee retirement plan. Except for the initial enrollment period, all full- and part-time personnel who are at least 21 years old and who have been employed for six months are eligible to participate in the plan. Employees contributing from 1% to 5% of their compensation receive Registrant contributions of up to 3%. Registrant contributions to the plan were \$1,114,000, \$915,000 and \$714,000 in fiscal 1994, 1993 and 1992, respectively.

In addition, a non-qualified retirement savings plan is available for the purpose of providing deferred compensation for certain employees whose benefits under the qualified plan are limited under Section 401(k) of the Internal Revenue Code.

Registrant maintains a Supplemental Executive Retirement Plan for certain of its executive officers. The plan provides that upon retirement, disability, death or other termination of employment a participant will receive annual benefits. Retirement benefits under the plan vest for each participant at the rate of 10% per year over 10 years of service. Registrant's accrued contributions to the plan were \$765,000, \$554,000 and \$443,000 in fiscal 1994, 1993 and 1992, respectively.

Note 8 - Matters concerning stockholders' equity

Stock purchase plan - Substantially all employees and directors are eligible to participate in the Pier 1 Imports, Inc. Stock Purchase Plan under which Registrant's common stock is purchased on behalf of employees at market prices through regular payroll deductions. Each employee participant may contribute up to 10% of the eligible portions of annual compensation and directors may contribute a maximum equal to their monthly directors' fees. Registrant contributes from 10% to 100% of the participants' contributions, depending upon length of participation and date of entry into the plan. Approximately 268,000 shares were allocated to Stock Purchase Plan participants during fiscal 1994, all of which were purchased on the open market. Registrant's contributions to the Plan were \$867,000, \$841,000 and \$830,000 in fiscal years 1994, 1993 and 1992, respectively.

Restricted stock grant plans - In 1993 and 1992, Registrant issued 17,414 shares and 19,157 shares, respectively, of its common stock to key officers pursuant to a Management Restricted Stock Plan which provides for the issuance of up to 250,000 shares. The shares of restricted stock were awarded in conjunction with granting of stock options to those officers, with the number of shares awarded representing 25% of the number of stock options granted. The restricted stock will vest at the times and to the extent that 25% of such stock options have been exercised and the option shares have been held for two years.

In 1991 Registrant issued 292,825 shares of its common stock to key officers pursuant to a Restricted Stock Grant Plan which provides for issuance of up to 500,000 shares. These shares vest and the cost of these shares will be expensed over a ten-year period of continued employment. Unvested shares are returned to the plan if employment is terminated for any reason.

Stock option plans - In June 1989, Registrant adopted two stock option plans, the 1989 Employee Stock Option Plan and the 1989 Non-Employee Director Stock Option Plan. Options have been granted at the fair market value of shares on date of grant and may be granted to qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code or as non-qualified options. Registrant may grant options covering up to 1,500,000 and 150,000 shares of Registrant's common stock under the 1989 Employee Stock Option Plan and the 1989 Non-Employee Director Stock Option Plan, respectively.

In 1990, the 1980 Stock Option Plan expired subject to outstanding granted options covering 589,871 shares at fiscal year-end 1994.

A summary of stock option transactions related to the plans, adjusted for stock dividends, during the years ended February 26, 1994 and February 27, 1993, is as follows:

	Shares	Option Prices
	-----	-----
Outstanding at February 29, 1992	1,405,980	\$3.16 - 12.30
Options granted	96,649	6.75 - 11.13
Options exercised	(428,755)	3.20 - 12.30
Options cancelled or expired	(157,376)	4.28 - 10.59
	-----	-----
Outstanding at February 27, 1993	916,498	3.16 - 12.30
Options granted	220,277	8.75 - 9.00
Options exercised	(72,864)	3.16 - 8.00
Options cancelled or expired	(12,189)	4.28 - 10.59
	-----	-----
Outstanding at February 26, 1994	1,051,722	\$3.20 - 12.30
	=====	=====

At February 26, 1994 and February 27, 1993 outstanding options covering 634,111 and 518,530 shares were exercisable and 832,385 and 1,040,473 shares were available for grant, respectively.

Transactions with Intermark - Prior to June 1991, Intermark, Inc.

("Intermark") was the largest shareholder and exercised voting control of Registrant. On June 6, 1991, Intermark sold its shares of Registrant's common stock through a secondary public offering. On June 17, 1991, Registrant repurchased all shares of Registrant's preferred stock held by Intermark. In consideration of such repurchase, Registrant delivered to Intermark all shares of the preferred stock of a wholly owned subsidiary of Intermark that were owned by Registrant which had a stated value of \$5.8 million on Registrant's balance sheet. The difference in the cost of the shares held by Registrant and the preferred shares held by Intermark reduced Registrant's capital by \$4.4 million.

Common stock dividend - On March 15, 1991 and November 19, 1991, Registrant announced stock dividends of 2% and 3%. Based on the closing price of Registrant's common stock at the date of each dividend, the market values of the shares distributed were approximately \$4,005,000 and \$10,169,000, respectively.

Loans to officers - 1991 - In fiscal 1991, the Board of Directors approved the sale of 210,000 treasury shares of common stock to certain corporate officers in exchange for promissory notes of \$892,500 which approximated fair market value. These notes were reflected as a reduction to stockholders' equity in 1991. In fiscal 1992, the Board of Directors authorized Registrant to accept approximately 77,600 common shares from these officers, at the current fair market value, in payment for the outstanding loan balances.

Loans to officers - 1988 - The Board of Directors approved loans to certain corporate officers in 1988 to enable those officers to acquire Pier 1 common stock through open market purchases. These demand notes were unsecured, accrued interest at floating rates, and, if not demanded, would mature in 1997. In fiscal 1992, the Board of Directors authorized Registrant to accept approximately 112,600 common shares from certain of these officers at current market value, which together with cash payments, reduced the principal amount outstanding at February 26, 1994 to \$776,000.

Note 9 - Income taxes

In fiscal 1993, Registrant adopted SFAS 109. Under SFAS 109, the deferred tax provision is determined under the liability method. Under this method, deferred tax assets and liabilities are recognized based on differences between financial statement and tax bases of assets and liabilities using presently enacted tax rates. Adoption of the statement had no effect on results of operations.

The provision for income taxes consists of (in thousands):

	1994 -----	1993 -----	1992 -----
Federal:			
Current	\$5,356	\$8,875	\$7,232
Deferred	(4,966)	(1,431)	(153)
State:			
Current	2,598	1,765	1,237
Deferred	(1,127)	(302)	--
Foreign:			
Current	562	402	340
	----- \$2,423 =====	----- \$9,309 =====	----- \$8,656 =====

Deferred tax liabilities (assets) at February 26, 1994 and February 27, 1993 are comprised of the following (in thousands):

	1994 -----	1993 -----
Deferred tax liabilities:		
Depreciation	\$ 8,117	\$ 5,938
Deferred store costs	4,697	3,947
Other	856	495
	----- 13,670 -----	----- 10,380 -----
Deferred tax assets:		
Inventory	\$ (24)	\$ (1,087)
Accrued average rent	(6,126)	(5,118)

Accrued vacation/deferred compensation	(2,494)	(2,319)
Deferred gain on sale/leaseback	(1,493)	(1,672)
Bad debts	(708)	(850)
Store-closing provision	(8,454)	--
Other	(2,998)	(817)
	-----	-----
	(22,297)	(11,863)
	-----	-----
	\$(8,627)	\$(1,483)
	=====	=====

The difference between income taxes at the statutory federal income tax rate of 35 percent in fiscal 1994, 34 percent in fiscal 1993 and fiscal 1992, and income tax reported in the consolidated statement of operations is as follows (in thousands):

	1994	1993	1992
	-----	-----	-----
Tax at statutory federal tax rate	\$2,925	\$12,208	\$10,381
Tax treatment on sale of subsidiary stock	(282)	--	(2,312)
State income taxes, net of federal benefit	856	966	816
Tax-favored investment income	(284)	(574)	--
Targeted jobs tax credit	(395)	(332)	(229)
Foreign income taxed at lower rates	(528)	(2,959)	--
Other, net	131	--	--
	-----	-----	-----
	\$2,423	\$ 9,309	\$ 8,656
	=====	=====	=====

Note 10 - Commitments and lease obligations

Registrant leases certain property consisting principally of retail stores, warehouses and transportation equipment under leases expiring through the year 2012. Substantially all retail store locations are leased, for terms varying from 10 to 15 years with varying renewal options. Certain leases provide for additional rental payments based on a percentage of sales in excess of a specified base.

Capital leases are recorded in Registrant's balance sheet as assets along with the related debt obligation. All other lease obligations are operating leases, and payments are reflected in Registrant's consolidated statement of operations as rental expense. The composition of capital leases reflected as assets in the accompanying consolidated balance sheet is as follows (in thousands):

	1994	1993
	-----	-----
Buildings	\$ 477	\$ 477
Equipment, furniture and fixtures	538	538
	-----	-----
	1,015	1,015
Less accumulated depreciation	827	738
	-----	-----
	\$ 188	\$ 277
	=====	=====

At February 26, 1994, Registrant has the following minimum lease commitments in the years indicated (in thousands):

Fiscal Year	Capital Leases	Operating Leases
-----	-----	-----
1995	\$285	\$ 86,025
1996	205	83,125
1997	119	75,968
1998	87	69,372
1999	--	57,618
Thereafter	--	201,629
	-----	-----
Total lease commitments	696	\$573,737
		=====
Less imputed interest	221	

Present value of total capital lease obligations including current portion of \$234	\$475
	====
Present value of total operating lease commitments	\$372,000
	=====

Rental expense incurred was \$89,518,000, \$85,511,000 and \$81,042,000 including contingent rentals of \$788,000, \$821,000 and \$559,000 based upon a percentage of sales and net of sublease incomes totalling \$1,252,000, \$870,000 and \$836,000 in fiscal 1994, 1993 and 1992, respectively.

Registrant has agreements with unaffiliated groups to lease certain stores and distribution center space. These unaffiliated groups are presently committed to make available up to \$101.8 million for development or acquisition of stores leased by Registrant. Presently, Registrant has used \$99.5 million of that availability. Agreements with these groups mature over the next five years, and Registrant's management is continuously monitoring financial markets to optimize renewal terms. In connection with the financing of 38 stores by these unaffiliated groups, Registrant has guaranteed the residual value of these buildings at approximately \$25 million at the end of the lease terms.

In fiscal 1993, Registrant invested in preference stock of The Pier Retail Group Limited ("The Pier"), located in the United Kingdom. Registrant guarantees approximately \$4 million of debt for The Pier.

Note 11 - Litigation

There are various claims, lawsuits, investigations and pending actions against Registrant and its subsidiaries incident to the operations of its business. Liability, if any, associated with these matters is not determinable at February 26, 1994; however, Registrant considers them to be ordinary and routine in nature. While certain of the lawsuits involve substantial amounts, it is the opinion of management that the ultimate resolution of such litigation will not have a material adverse effect on Registrant's financial position.

Note 12 - Cash flow information

The following is supplemental cash flow information (in thousands):

	1994	1993	1992
	-----	-----	-----
Cash paid during the year for:			
Interest	\$20,445	\$16,835	\$14,033
Income taxes	\$17,732	\$17,126	\$ 4,439

Note 13 - Investment in Sunbelt Nursery Group, Inc. and subsequent event

At fiscal year-end 1993, Registrant had a 49.5% ownership interest in Sunbelt. Registrant reported the results of Sunbelt using the equity method of accounting. Under such method, Registrant's share of net earnings (or losses) of Sunbelt was included as a separate item in the consolidated statement of operations.

In April 1993, Registrant completed the sale of its 49.5% ownership interest in Sunbelt to General Host. Registrant received as compensation for the Sunbelt shares 1.9 million shares of General Host common stock, which represented approximately 9.7% of that company's outstanding common stock.

In connection with Registrant's sale of its Sunbelt investment to General Host, Registrant provided Sunbelt a line of credit aggregating \$12 million, all of which was outstanding at February 26, 1994. In order for Sunbelt to meet repayment obligations under this line, Sunbelt must obtain replacement financing. To enable Sunbelt to raise these funds, Registrant has granted Sunbelt a temporary extension of the credit facility until June 30, 1994. Also, Registrant is committed to provide Sunbelt \$25 million of non-revolving store development financing through April 1996. Registrant has arranged for a bank group to provide the current financing by which Registrant leases from an unaffiliated third party and subleases store sites to Sunbelt. Under this leasing facility, the leases are required to be refinanced by Sunbelt from

September 1994 to October 1995. If Sunbelt defaults on refinancing these store leases as the terms expire, Registrant will be required to obtain other financing. Registrant expects financing of Sunbelt's store sites to remain at same or similar terms and conditions as are currently in place. In addition to the above, Registrant also guarantees approximately \$4.5 million of Sunbelt store lease commitments. Registrant's line of credit and leasing commitments are collateralized by 4.2 million shares of Sunbelt's common stock.

Note 14 - Selected quarterly financial data (unaudited)

Summarized quarterly financial data (in thousands of dollars except per share amounts) for the years ended February 26, 1994 and February 27, 1993 are set forth below:

Fiscal 1994 -----	Three Months Ended			
	5/29/93 -----	8/28/93 -----	11/27/93 -----	2/26/94 -----
Net sales	\$158,593 =====	\$181,441 =====	\$163,457 =====	\$181,902 =====
Gross profit	\$61,690 =====	\$65,834 =====	\$63,022 =====	\$69,046 =====
Net income (loss)	\$4,702 =====	\$7,343 =====	\$4,042 =====	(\$10,154) =====
Primary net income (loss) per common share(2)	\$.12 =====	\$.20 =====	\$.11 =====	(\$.27) =====

Fiscal 1993 -----	Three Months Ended			
	5/30/92 -----	8/29/92 -----	11/28/92 -----	2/27/93 -----
Net sales	\$152,083 =====	\$166,416 =====	\$144,923 =====	\$165,813 =====
Gross profit	\$59,732 =====	\$61,548 =====	\$56,655 =====	\$68,247 =====
Net income(1)	\$8,055 =====	\$7,453 =====	\$2,247 =====	\$5,262 =====
Primary net income per common share(2)	\$.22 =====	\$.20 =====	\$.06 =====	\$.14 =====

(1) SFAS 109 was issued in February 1992 and was adopted by Registrant in the fourth quarter retroactively to the beginning of the 1993 fiscal year. The adoption had no effect on Registrant's financial position or results of operations.

(2) Fully diluted earnings per share resulted in less than 3% dilution of primary earnings per share for both years and for all periods presented with the exception of a \$.01 dilution in the first and second quarters of fiscal years 1994 and 1993.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of Registrant.

Information required by this Item is incorporated herein by reference to the Sections entitled "Election of Directors" and "Certain Relationships and Related Transactions" set forth in Registrant's Proxy Statement for its 1994 Annual Meeting of Shareholders.

The information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the Section entitled "Certain Relationships and Related Transactions" set forth

in Registrant's Proxy Statement for its 1994 Annual Meeting of Shareholders.

Item 11. Executive Compensation.

The information required by this Item is incorporated herein by reference to the Section entitled "Executive Compensation" set forth in Registrant's Proxy Statement for its 1994 Annual Meeting of Shareholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this Item is incorporated herein by reference to the Sections entitled "Security Ownership of Management" set forth in Registrant's Proxy Statement for its 1994 Annual Meeting of Shareholders.

Item 13. Certain Relationships and Related Transactions.

The information required by this Item is incorporated herein by reference to the Section entitled "Certain Relationships and Related Transactions" set forth in Registrant's Proxy Statement for its 1994 Annual Meeting of Shareholders.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) The following consolidated financial statements, schedules and exhibits are filed as part of this report.

1. Financial Statements

- * Report of Independent Accountants
- * Consolidated Statement of Operations for the years ended February 26, 1994, February 27, 1993 and February 29, 1992
- * Consolidated Balance Sheet at February 26, 1994 and February 27, 1993
- * Consolidated Statement of Cash Flows for the years ended February 26, 1994, February 27, 1993 and February 29, 1992
- * Consolidated Statement of Stockholders' Equity for the years ended February 26, 1994, February 27, 1993 and February 29, 1992

2. Financial Statement Schedules

Report of Independent Accountants

- II - Amounts Receivable From Related Parties and Underwriters, Promoters and Employees Other Than Related Parties
- V - Property, Plant and Equipment
- VI - Accumulated Depreciation and Amortization of Property, Plant and Equipment
- VIII - Valuation and Qualifying Accounts and Reserves
- IX - Short-Term Borrowings
- X - Supplementary Income Statement Information

Schedules other than those referred to above have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

(b) Reports on Form 8-K

Not applicable

(c) Exhibits

See Exhibit Index.

(d) Not applicable.

SIGNATURES

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

Date: PIER 1 IMPORTS, INC.

May 23, 1994 By: /s/ Clark A. Johnson
Clark A. Johnson, Chairman
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities on May 23, 1994.

Signature	Title
/s/ Robert G. Herndon Robert G. Herndon	Chief Financial Officer
/s/ Charles H. Turner Charles H. Turner	Controller and Principal Accounting Officer
/s/ Clark A. Johnson Clark A. Johnson	Chairman of the Board of Directors
/s/ Marvin J. Girouard Marvin J. Girouard	Director
/s/ Charles R. Scott Charles R. Scott	Director
/s/ Sally F. McKenzie Sally F. McKenzie	Director
/s/ James M. Hoak, Jr. James M. Hoak, Jr.	Director
/s/ Kenneth N. Pontikes Kenneth N. Pontikes	Director

SCHEDULE II

PIER 1 IMPORTS, INC. AND CONSOLIDATED SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS,
PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES
(in thousands)

Name of Debtor -----	Balance at Beginning of Period -----	Additions -----	Deductions		Balance at End of Period	
			Amounts Collected -----	Amounts Written Off -----	Current -----	Noncurrent -----
Year ended February 26, 1994:						
Clark A. Johnson	\$ 758	\$ 18	\$ --	\$ --	\$ --	\$776 (1)
Triton Group, Ltd.	161	9	--	(170)	--	--(2)
Mellon/Pier 1 Properties, LP	6	38	(37)	--	7	--(5)
Sunbelt Nursery Group, Inc.	3,105	1,576	(2,681)	--	2,000	--(7)
Year ended February 27, 1993:						
Clark A. Johnson	\$ 758	\$ --	\$ --	\$ --	\$ 758	\$ --(1)
Triton Group, Ltd.	128	108	(75)	--	161	--(3)
Mellon/Pier 1 Properties, LP	156	84	(234)	--	6	--(5)
Sunbelt Nursery Group, Inc.	1,039	3,884	(1,818)	--	3,105	--(6)
Year ended February 29, 1992:						
Clark A. Johnson	\$1,714	\$ --	(\$ 956)	\$ --	\$ --	\$758 (1) (4)
Marvin J. Girouard	1,110	--	(1,110)	--	--	--(1) (4)
J. Rodney Lawrence	103	--	(103)	--	--	--(1)
Robert G. Herndon	684	--	(684)	--	--	--(1)
E. Mitchell Weatherly	119	--	(119)	--	--	--(1)
Triton Group, Ltd.	155	--	(27)	--	27	101(3)

Mellon/Pier 1 Properties, LP	311	478	(633)	--	156	--(5)
Sunbelt Nursery Group, Inc.	--	1,039	--	--	1,039	--(5)

<FN>

(1) Note is payable on demand, matures 12/31/97, and the interest is variable and calculated at 1/2% plus a variable short-term debt rate. Maturity date for fiscal 1993 and 1992 was January 8, 1994.

(2) Due to bankruptcy filing, Triton receivables were written off in May 1993.

(3) Principal and interest were payable in quarterly installments and interest accruals were based on the lesser of (a) 10% per annum or (b) the maximum lawful rate which may be contracted for, charged, taken, received by Payee in accordance with applicable law.

(4) Unsecured promissory notes with a maturity date of 11/5/96 and interest rate of 9% were paid off early during fiscal 1992.

(5) Non-interest bearing short-term receivable.

(6) \$3,000,000 of 1993 addition is portion of an unsecured promissory note due March 31, 1993. Interest is payable monthly and accrues at the lesser of (a) 8.5% per annum or (b) the maximum lawful rate which may be contracted for, charged, taken, received or reserved by Payee in accordance with applicable law.

(7) Maturity date of the \$2,000,000 was April 28, 1994; however, Registrant granted Sunbelt a temporary extension until June 30, 1994 in order for Sunbelt to obtain financing. Subsequent to February 26, 1994, Registrant purchased \$10 million of Sunbelt's bank debt that was previously guaranteed by Registrant. These amounts are due and payable to Registrant on June 30, 1994.

SCHEDULE V

PIER 1 IMPORTS, INC. AND CONSOLIDATED SUBSIDIARIES
PROPERTY, PLANT AND EQUIPMENT
(in thousands)

	Balance at Beginning of Period	Additions, at Cost	Retirements, Sales and Other	Balance at End of Period
	-----	-----	-----	-----
Year ended February 26, 1994:				
Land	\$ 7,204	\$ 1	\$ --	\$ 7,205
Buildings	32,688	477	(102)	33,063
Equipment, furniture and fixtures	85,413	12,958	(7,866)	90,505
Leasehold interest and improvements	71,545	8,277	(800)	79,022
Construction in progress	214	--	(24)	190
	-----	-----	-----	-----
	\$197,064	\$21,713	(\$ 8,792)	\$209,985
	=====	=====	=====	=====
Year ended February 27, 1993:				
Land	\$ 7,841	\$ --	(\$ 637)	\$ 7,204
Buildings	33,027	94	(433)	32,688
Equipment, furniture and fixtures	79,965	8,045	(2,597)	85,413
Leasehold interest and improvements	67,462	4,572	(489)	71,545
Construction in progress	259	--	(45)	214
	-----	-----	-----	-----
	\$188,554	\$12,711	(\$4,201)	\$197,064
	=====	=====	=====	=====
Year ended February 29, 1992:				
Land	\$ 9,829	\$ 1	(\$ 1,989)	\$ 7,841
Buildings	39,909	384	(7,266)	33,027
Equipment, furniture and fixtures	79,397	4,948	(4,380)	79,965
Leasehold interest and improvements	65,548	2,684	(770)	67,462
Construction in progress	2,107	--	(1,848)	259
	-----	-----	-----	-----
	\$196,790	\$ 8,017	(\$16,253) (1)	\$188,554
	=====	=====	=====	=====

<FN>

(1) Includes sale/leaseback of a distribution center which had a cost of \$9,225.

/TABLE

<TABLE>

SCHEDULE VI

PIER 1 IMPORTS, INC. AND CONSOLIDATED SUBSIDIARIES
ACCUMULATED DEPRECIATION AND AMORTIZATION OF
PROPERTY, PLANT AND EQUIPMENT
(in thousands)

Balance at Beginning of Period	Additions Charged to Profit and Loss	Retirements, Sales and Other	Balance at End of Period
--------------------------------------	---	------------------------------------	--------------------------------

	-----	-----	-----	-----
Year ended February 26, 1994:				
Buildings	\$ 5,565	\$ 1,112	\$ --	\$ 6,677
Equipment, furniture and fixtures	54,021	10,792	(7,460)	57,353
Leasehold interest and improvements	29,467	5,655	(677)	34,445
	<u>\$89,053</u>	<u>\$17,559</u>	<u>(\$8,137)</u>	<u>\$98,475</u>
Year ended February 27, 1993:				
Buildings	\$ 4,546	\$ 1,109	(\$ 90)	\$ 5,565
Equipment, furniture and fixtures	44,544	11,174	(1,697)	54,021
Leasehold interest and improvements	24,952	4,911	(396)	29,467
	<u>\$74,042</u>	<u>\$17,194</u>	<u>(\$2,183)</u>	<u>\$89,053</u>
Year ended February 29, 1992:				
Buildings	\$ 4,080	\$ 1,216	(\$ 750)	\$ 4,546
Equipment, furniture and fixtures	35,030	10,857	(1,343)	44,544
Leasehold interest and improvements	20,287	5,320	(655)	24,952
	<u>\$59,397</u>	<u>\$17,393</u>	<u>(\$2,748) (1)</u>	<u>\$74,042</u>

<FN>
(1) Includes sale/leaseback of a distribution center which has accumulated depreciation of \$750 thousand at the date of sale.

Note: Refer to Note 1 of the Notes to Consolidated Financial Statements for a description of Registrant's depreciation methods.
/TABLE

<TABLE>

SCHEDULE VIII

PIER 1 IMPORTS, INC. AND CONSOLIDATED SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(in thousands)

RESERVE FOR DOUBTFUL ACCOUNTS

	Year Ended		
	February 26, 1994	February 27, 1993	February 29, 1992
	-----	-----	-----
Balance at beginning of year	\$ 2,404	\$ 3,185	\$ 3,090
Additions charged to income	2,097	2,327	2,785
Balances written off, net of recoveries	(2,429)	(3,108)	(2,690)
Balance at end of year	<u>\$ 2,072</u>	<u>\$ 2,404</u>	<u>\$ 3,185</u>

SCHEDULE IX

PIER 1 IMPORTS, INC. AND CONSOLIDATED SUBSIDIARIES
SHORT-TERM BORROWINGS
(in thousands)

Weighted	Maximum Amount	Average Amount	Weighted Average
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	Description of Borrowings	Balance at End of Period	Average Interest Rate (A)	Outstanding During the Period	Outstanding During the Period (B)	Interest Rate During the Period (C)
February 26, 1994:						
	Banks	\$ --	--	\$47,000	\$23,242	4.01%
February 27, 1993:						
	Banks	\$33,000	3.97%	\$36,000	\$28,631	4.39%
February 29, 1992:						
	Banks	\$23,000	4.82%	\$78,500	\$48,714	6.69%

<FN>

(A) The weighted average interest rate on the ending balance is computed by dividing the actual interest expense on the year-end short-term debt by the short-term debt outstanding at year-end.

(B) The average amount outstanding during the period is computed by dividing the total of daily outstanding balances by the number of days in the year.

(C) The weighted average interest rate during the period is computed by dividing the actual short-term interest expense by the average short-term debt outstanding.

/TABLE

<TABLE>

SCHEDULE X

PIER 1 IMPORTS, INC. AND CONSOLIDATED SUBSIDIARIES
SUPPLEMENTARY INCOME STATEMENT INFORMATION
(in thousands)

	Year Ended		
	February 26, 1994	February 27, 1993	February 29, 1992
Taxes, other than payroll and income taxes	\$14,070	\$13,012	\$10,865
Advertising costs	29,385	28,661	25,447

<FN>

Registrant has no material royalties, depreciation and amortization of intangible assets, preoperating costs and similar deferrals; maintenance and repairs are immaterial.

EXHIBIT INDEX

Exhibit No.	Description	Page No.
2.1	Stock Purchase Agreement dated as of April 2, 1993 by and between General Host Corporation and Registrant	(filed as Exhibit 1 to Registrant's Statement on Schedule 13-D dated April 2, 1993 and incorporated herein by reference)
3. (i)	Certificate of Incorporation and Amendments thereto	(filed as Exhibit 3(a) to Registrant's Form 10-K for the fiscal year ended March 3, 1990 and incorporated herein by reference)

3. (ii) Bylaws of Registrant, Restated as of September 16, 1991 (filed as Exhibit 3(b) to Registrant's Form 10-K for the fiscal year ended February 28, 1993 and incorporated herein by reference)

4.1 Indenture, dated April 9, 1992, between the Registrant and Ameritrust Texas National Association, as Trustee, relating to 6-7/8% Convertible Subordinated Notes Due 2002. (filed as Exhibit 4(a) to Registrant's Form 10-K for the fiscal year ended February 29, 1992 and incorporated herein by reference)

As permitted by Item 601(b)(4)(iii) of Regulation S-K, Exhibit Number 4 omits instruments relating to issues of long-term debt of the Registrant and its subsidiaries, the total authorized principal amount of which for each issue does not exceed 10% of the consolidated total assets of the Registrant and its subsidiaries. The Registrant agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

10.1* Registrant's Amended and Restated Stock Purchase Plan as of March 25, 1987 (filed as Exhibit 10(a) to Registrant's Form 10-K for the fiscal year ended February 28, 1993 and incorporated herein by reference)

10.2.1 Lease Contract dated July 19, 1985, between Pier 1 and City Center Development Co., together with the First through Seventh Amendments (filed as Exhibit 10(b) to Registrant's Form 10-K for the fiscal year ended February 28, 1993 and incorporated herein by reference)

10.2.2 Eighth Amendment to Lease Contract dated as of September 1, 1993, between Pier 1 and City Center Development Co.

10.3* Form of Indemnity Agreement between the Registrant and the directors and executive officers of the Registrant. (filed as Exhibit 10(l) to Registrant's Form 10-K for the fiscal year ended February 29, 1992 and incorporated herein by reference)

10.4* Registrant's Supplemental Executive Retirement Plan effective May 1, 1986, as amended (filed as Exhibit 10(d) to Registrant's Form 10-K for the fiscal year ended February 28, 1993 and incorporated herein by reference)

10.5* Registrant's Benefit Restoration Plan, effective April 1, 1990 (filed as Exhibit 10(y) to Registrant's Form 10-K for the fiscal year ended March 2, 1991 and incorporated herein by reference)

10.6* Registrant's Restricted Stock Plan effective March 5, 1990 (filed as Exhibit 10(p) to the fiscal year ended March 3, 1990 and incorporated herein by reference)

- 10.7* Registrant's Management Restricted Stock Plan effective June 24, 1993
- 10.8* Registrant's 1989 Employee Stock Option Plan, effective June 29, 1989 (filed as Exhibit 10(q) to Registrant's Form 10-K for the fiscal year ended March 3, 1990 and incorporated herein by reference)
- 10.9* Registrant's 1989 Non-Employee Director Stock Option Plan effective June 29, 1989 (filed as Exhibit 10(r) to Registrant's Form 10-K for the fiscal year ended March 3, 1990 and incorporated herein by reference)
- 10.10* Form of Post-Employment Consulting Agreement between the Registrant and its executive officers (filed as Exhibit 10(r) to Registrant's Form 10-K for the fiscal year ended February 29, 1992 and incorporated herein by reference)
- 10.11.1 Revolving Credit Loan Agreement dated as of August 14, 1992, among Registrant, Pier 1 Imports (U.S.), Inc. and Bank One, Texas, N.A. (filed as Exhibit 10(j) to Registrant's Form 10-K for the fiscal year ended February 28, 1993 and incorporated herein by reference)
- 10.11.2 First, Second and Third Amendments 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.
- 10.12 Lease Guarantee dated as of December 30, 1992 among Registrant, Pier 1 Licensing, Inc. (successor in interest to CMEI, Inc.), and Pier Set, Inc., together with Supplements and First, Second and Third Amendments
- 10.13 Lease Guarantee dated as of December 30, 1992 between Registrant and Pier Group, Inc., together with First and Second Amendments
- 10.14 Lease Guarantee dated as of December 30, 1992 among Registrant, Pier 1 Imports (U.S.), Inc. and Pier Group, Inc., together with First and Second Amendments
- 10.15.1 Sunbelt Credit Facilities Agreement dated as of April 28, 1993 between Registrant and Sunbelt (filed as Exhibit 10.12 to Sunbelt Nursery Group, Inc.'s Form 10-K for the fiscal year ended January 31, 1993 and incorporated herein by reference)
- 10.15.2 Extension Agreement dated April 25, 1994, and Waiver Agreement dated May 12, 1994, among Registrant, Sunbelt and Pier-SNG, Inc.

- 10.16* Registrant's Senior Management
Annual Bonus Plan
- 10.17* Registrant's Executive Bonus Plan
- 10.18* Registrant's Management Medical and
Tax Benefit Plans
- 21 Roster of Subsidiaries of Registrant
- 23 Consent of independent accountants
to the incorporation by reference of
their reports regarding the financial
statements filed herewith into (i)
Registration Statement on Form S-8
(Reg. No. 33-9970) relating to
Registrant's 1980 Stock Option Plan,
(ii) Registration Statement on Form
S-8 (Reg. No. 33-32166) relating to
Registrant's 1989 Employee Stock Option
Plan and 1989 Non-Employee Director
Stock Option Plan and (iii) Registration
Statement on Form S-8 (Reg. No. 33-50278)
relating to Registrant's Employee Stock
Purchase Plan.

* Management Contracts and Compensatory Plans

EXHIBIT 10.2.2

EIGHTH AMENDMENT TO LEASE CONTRACT
BY AND BETWEEN
CITY CENTER DEVELOPMENT CO.
AND
PIER 1 IMPORTS (U.S.), INC.

This Eighth Amendment to Lease Contract ("Amendment") is made and entered into to be effective as of the 1st day of September, 1993 ("Effective Date"), by and between City Center Development Co., a Texas general partnership ("Landlord") and Pier 1 Imports (U.S.), Inc., a Delaware corporation (successor in interest to Pier 1 Imports - Texas, Inc.) ("Tenant").

WHEREAS, Landlord and Tenant entered into that certain Lease Contract ("Lease") dated July 19, 1985, covering certain office space on the 6th, 7th and 8th floors of City Center Tower II ("Building") located at 301 Commerce Street, Block 40, City Addition to the City of Fort Worth, Tarrant County, Texas and on the ground floor of City Center Parking Garage, 201 Commerce Street, Fort Worth, Texas; and

WHEREAS, the Lease was subsequently amended as of October 29, 1985, December 16, 1985, April 23, 1987, March 1, 1988, December 30, 1988, February 28, 1989, and August 1, 1990 (whereby, among other items, such amendments provided that the Leased Premises were expanded to include space on the 5th and 9th floors of the Building and space in the basement of the building located at 201 Main Street, Fort Worth, Texas); and

WHEREAS, Landlord and Tenant desire to further amend the Lease as hereinafter provided.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease as follows:

1. Paragraph 36 of the Lease (as previously amended) is hereby further amended to provide that from and after the Effective Date the Leased Premises shall be increased in size by approximately twelve thousand six hundred forty-four (12,644) square feet of Rentable Area located on the tenth (10th) floor of the Building ("Expansion Space"). The Expansion Space shall consist of (i) approximately ten thousand eight hundred seventy-eight (10,878) square feet of Rentable Area on the tenth (10th) floor of the Building which shall be leased to Tenant for a term commencing on the Effective Date and terminating on the date the initial Term of the Lease terminates, as provided in the Lease (as previously amended) ("Permanent Space"), and (ii) approximately one thousand seven hundred sixty-six (1,766) square feet of Rentable Area located on the tenth (10th) floor of the Building which shall be leased to Tenant on a month-to-month basis ("Month-To-Month Space") and either party hereto may terminate the Lease with respect to the Month-To-Month Space only by delivering at least thirty (30) days' prior written notice of such termination to the other party. The Permanent Space and the Month-To-Month Space are more particularly described on Exhibit "A" attached hereto and incorporated herein by reference.

2. Paragraph 2 of the Seventh Amendment to the Lease, which amends Paragraph 2 of the Third Amendment to the Lease, which amends Paragraph 4(a) of the Lease, is further amended to provide that from and after the Effective Date, as Base Rent for Tenant's lease of the Expansion Space (as provided in this Amendment) Tenant shall pay to Landlord (at Landlord's office, without demand and without deduction, abatement or set-off, except as otherwise expressly provided for in Paragraph 7 or Paragraph 19 of the Lease) Seventeen and No/100 Dollars (\$17.00) per square foot of Rentable Area contained within the Expansion Space per year. The Base Rent for the Expansion Space shall be comprised of a Fixed Rent Component equal to Eleven and No/100 Dollars (\$11.00) and a Variable Maintenance Component equal to Six and No/100 Dollars (\$6.00). The Variable Maintenance Component shall be adjusted throughout the Term in accordance with the terms of Paragraph 4(b) of the Lease; provided, however, that such Variable Maintenance Component shall not increase in any Lease Year by more than eight percent (8%) above the Variable Maintenance Component for the previous Lease Year.

3. Tenant may use the Expansion Space for general office purposes only and for no other purposes without the prior written consent of Landlord.

4. Paragraph 4 of the Seventh Amendment to the Lease is hereby modified to provide that the Tenth Floor Expansion Space (as defined in the Seventh Amendment to the Lease) consists of approximately nine thousand seven hundred seventy (9,770) square feet of Rentable Area on the tenth (10th) floor of the Building. It is agreed and acknowledged that the Tenth Floor Expansion Space includes the Month-To-Month Space and Tenant may elect to permanently lease the Month-To-Month Space pursuant to Tenant's expansion rights set forth in the Lease (as previously amended), such election shall be governed by the applicable terms and conditions specified in the Lease (as previously amended). At such time as Tenant elects to permanently lease the Month-To-Month Space, the Lease will be amended to reflect the terms governing such permanent lease of the Month-To-Month Space. The Tenth Floor Expansion Space, as modified by this Amendment, is more particularly described on Exhibit "B" attached hereto and incorporated herein by reference.

5. Tenant Finish for the Permanent Space. Landlord shall, at Tenant's sole expense, construct and install certain improvements ("Tenant Improvements") to the Permanent Space pursuant to mutually approved plans and specifications; provided, however, Landlord shall provide Tenant with an allowance in the amount of Fifteen and No/100 Dollars (\$15.00) per square foot of Rentable Area contained within the Permanent Space ("Allowance") to be applied against the costs of constructing the Tenant Improvements, including, without limitation, design fees, permit fees, and construction costs. In the event the cost of constructing the Tenant Improvements is more than the Allowance, Tenant shall be obligated to pay all such additional cost. Notwithstanding anything in the Lease (as previously amended) to the contrary, Landlord shall have no other obligation to construct or install improvements to the Permanent Space or to provide Tenant with any further allowances, except the Refurbishment Allowance (as hereinafter defined), with respect to the Permanent Space.

6. Tenant Finish for the Month-To-Month Space. Notwithstanding anything in the Lease (as previously amended) to the contrary, Landlord shall have no obligation to construct or install improvements to the Month-To-Month Space and, except as specifically provided for herein, the lease of the Month-To-Month Space as provided herein is made on an "AS-IS, WHERE-IS" basis, and Tenant expressly acknowledges that, in consideration of the agreements of Landlord herein, Landlord MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT IN NO WAY LIMITED TO, ANY WARRANTY OF CONDITION, HABITABILITY, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE MONTH-TO-MONTH SPACE.

7. Refurbishment Allowance. At such time as Tenant has leased the Permanent Space for a total of sixty (60) months, Landlord shall provide Tenant with a Refurbishment Allowance ("Refurbishment Allowance") in an amount equal to Seven and 50/100 Dollars (\$7.50) per square foot of Rentable Area within the Permanent Space. All refurbishment work shall be done in accordance with the applicable terms and conditions of the Lease, and in a manner reasonably satisfactory to Landlord and Tenant. Notwithstanding the foregoing, in the event that the Lease is not renewed in accordance with the applicable terms and conditions of Paragraph 37 of the Lease, Tenant shall pay to Landlord the unamortized portion of the Refurbishment Allowance as of the termination of the initial Term within thirty (30) days following Landlord's demand. The Refurbishment Allowance shall be amortized on a straight-line basis over the period commencing on the date Landlord pays Tenant, or credits Tenant with, such Refurbishment Allowance and ending on the date that is five years thereafter. Notwithstanding anything in the Lease (as previously amended) to the contrary, Landlord shall have no other obligation to provide Tenant with any refurbishment allowance (other than the Refurbishment Allowance described in this Paragraph) in connection with the Permanent Space or the Month-To-Month Space.

8. All capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the Lease.

9. Except as specifically set forth herein, the Lease (as previously amended) is hereby ratified and shall remain in full force and effect as written.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment on this the _____ day of June, 1993, to be effective as of the Effective Date.

"LANDLORD"

CITY CENTER DEVELOPMENT CO.,
a Texas general Partnership

By: Its general partners,
SID R. BASS, INC.,
THRU LINE INC.,
KEYSTONE, INC.,
LEE M. BASS

By: _____
Name: _____
Title: _____

"TENANT"

PIER 1 IMPORTS (U.S.), INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

EXHIBIT 10.7

PIER 1 IMPORTS, INC.

MANAGEMENT RESTRICTED STOCK PLAN

1. Purpose. The purpose of the Pier 1 Imports, Inc. Management Restricted Stock Plan (the "Plan") is to further the growth and profitability of the Company by offering incentives to those key management personnel, who have the capacity for contributing in substantial measure toward the growth and profitability of the Company and to attract and retain such key employees.

2. Definitions. For purposes of the Plan the following terms shall have the indicated meanings unless otherwise expressly provided or unless the context otherwise requires:

"Award" means an award of Restricted Stock pursuant to the provisions of the Plan.

"Board" means the Board of Directors of the Company.

"Committee" means Compensation Committee of the Board or the Committee appointed by the Board to administer the Plan in accordance with Section 3 hereof.

"Company" means Pier 1 Imports, Inc., a Delaware corporation.

"Employee" means any individual employed by the Company or any Subsidiary.

"Grantee" means an Employee to whom an Award has been granted hereunder.

"Permanent Disability" means permanent and total disability of the Grantee, as determined by the Committee in its sole discretion and in accordance with uniform and non-discriminatory standards adopted by the Committee.

"Restricted Stock" means the Shares awarded upon the terms and conditions and subject to the restrictions set forth in Section 6.

"Restricted Stock Agreement" means the agreement pursuant to which Restricted Stock is issued in accordance with Section 6.

"Retirement" means, in the case of an Employee, a Termination of Employment by reason of the Employee's retirement at or after his or her normal retirement date under the Company's Retirement plan.

"Shares" means shares of Common Stock, par value \$1.00 per share, of the Company.

"Subsidiary" means any corporation the majority of the outstanding voting stock of which is owned, directly or indirectly, by the Company.

"Termination of Employment" means the time when the employee-employer relationship between the Employee and the Company and its Subsidiaries is terminated for any reason, including, but not limited to, a termination by resignation, discharge, death, Permanent Disability, Retirement, or the disaffiliation of a Subsidiary, but excluding any such termination where there is an immediate reemployment by either the Company or one of its Subsidiaries.

3. Administration of the Plan. The Plan shall be administered by the Committee, which shall consist of not fewer than two members of the Board, who shall be appointed by and serve at the pleasure of the Board. Each member of the Committee shall be a "disinterested person" as that term is defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, or any successor provision.

Subject to the provisions of the Plan, the Committee shall have exclusive power to select the Employees who are to participate in the Plan, to determine the number of Shares to be subject to any Award and the time or times at which Awards will be granted, to provide additional limitations in

any Awards that are not specifically set forth in the Plan, and to establish other terms and conditions of each Award. The Committee shall also have the power to modify or amend the terms of any or all outstanding Awards in any respect subject to the terms of the Plan, provided that no such amendment may adversely affect the terms of a Grantee's Award without the Grantee's written consent. The Committee shall have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, and to make all other determinations necessary or advisable in the administration of the Plan, all of which determinations shall be final and binding upon all persons having an interest in the Plan. No member of the Committee shall be personally liable for any action, determination, or interpretation taken or made with respect to the Plan, unless such action, determination, or interpretation constitutes criminal misconduct, gross negligence or demonstrates bad faith, and all members of the Committee shall be fully protected by the Company with respect to any such action, determination or interpretation.

4. Plan Limitations; Stock Subject to the Plan. The maximum number of shares of Restricted Stock that may be issued or transferred under the Plan shall be 250,000 shares of Restricted Stock, subject to adjustment pursuant to the provisions of Section 10. Any shares of Restricted Stock that have been awarded under the Plan but later are forfeited or otherwise revert to the Company pursuant to the provisions of an Award may again be issued as Awards under the Plan.

5. Eligibility for Participation. The Committee shall from time to time in its absolute discretion select from among the Employees those persons who, in the opinion of the Committee are in a position to contribute materially to the growth and success of the Company.

6. Restricted Stock Awards.

(a) Grant of Award. The Committee may, from time to time, grant Awards to eligible Employees in conjunction with the granting of stock options pursuant to a stock option plan of the Company. Each Award shall be evidenced by a Restricted Stock Agreement between the Company and the Grantee, which Agreement shall contain terms prescribed by the Plan and such other terms and conditions as the Committee may deem necessary or advisable. The purchase price of Restricted Stock awarded under the Plan shall not exceed such amount as may be required for the issuance of such shares under the jurisdiction of incorporation of the Company. To the extent permissible by law, the award of Restricted Stock shall be made in consideration of the services of the Grantee.

(b) Restrictions. Restricted Stock shall be subject to the following restrictions:

(i) no Restricted Stock may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of during such time as such Restricted Stock is subject to the restrictions provided in this Section 6;

(ii) The restrictions with respect to the Restricted Stock shall lapse in accordance with the provisions established by the Committee and set forth in each Grantee's Restricted Stock Agreement.

(iii) Each certificate issued with respect to Restricted Stock shall be registered in the name of the Grantee and deposited, together with a stock power duly executed in blank by the Grantee, with the Company or, if the Committee so specifies, with a third party custodian or trustee, and shall bear the following, or a similar, legend:

"The transferability of this certificate and the shares of Common Stock represented hereby are subject to the terms, conditions and restrictions (including forfeiture) contained in the Management Restricted Stock Plan of Pier 1 Imports, Inc. and the Restricted Stock Agreement entered into between the registered owner and Pier 1 Imports, Inc. A copy of such Plan and Agreement is on file in the offices of Pier 1 Imports, Inc., 301 Commerce Street, 6th Floor, Fort Worth, Texas 76102."

(c) At the expiration of the restrictions provided herein and in the Restricted Stock Agreement, the Company will cause a new certificate to be delivered to the Grantee (or in the case of his death to his or her legal representative, beneficiary or heir), free of any legend provided herein for such number of Shares as to which such restrictions shall have lapsed; provided, however, that the Company shall not be required to issue fractional

Shares.

(d) During the applicable period of restriction as to any Restricted Stock, a Grantee shall be the record owner thereof and shall be entitled to vote such Shares and receive all dividends and other distributions paid with respect to such Shares; provided that if any such dividend or distribution is paid in Shares, the Shares so received shall be subject to the same restrictions as the Restricted Stock with respect to which such dividend or distribution was paid. The Committee may provide in the agreement such other restrictions, terms or conditions with respect to the treatment and holding of any shares, cash or other property that may be received as consideration or in exchange for Restricted Stock.

(e) The Committee may accelerate the time at which the restrictions will lapse or remove any restrictions whenever it may decide in its absolute discretion that such action is in the best interests of the Company and not adverse to the interests of the Grantee or his heirs or beneficiaries.

7. Effective Date of the Plan; Shareholder Approval. The Plan shall become effective upon the approval of the Plan, within 12 months of adoption by the Board, by the holders of a majority of the Shares present or represented by proxy and entitled to vote at a duly held meeting of the shareholders of the Company.

8. Amendment of the Plan. The Board may at any time and from time to time modify or amend the Plan in any respect; provided, that without approval of the shareholders of the Company the Board may not increase the maximum number of shares of Restricted Stock that may be awarded under the Plan (other than increases due to adjustments in accordance with Section 10), materially modify the requirements as to eligibility for participation in the Plan, or otherwise materially increase the benefits accruing to participants under the Plan. Any modification or amendment to the Plan shall not, without the written consent of any Grantee, adversely affect the Grantee's rights under an Award granted prior to such modification or amendment.

9. Termination of the Plan. The Plan shall terminate upon the granting of Awards equalling the maximum number of Shares of Stock that may be awarded under the Plan or upon a vote by the Board to terminate the Plan, and thereafter the function of the Committee will be limited to the administration of Restricted Stock Agreements. Each Award shall remain in effect until the restrictions on the Restricted Stock have lapsed or the Restricted Stock shall revert to the Company in accordance with the terms hereof. No termination of the Plan shall, without the written consent of the Grantee, adversely affect the rights or obligations under Awards previously granted.

10. Dilution and Other Adjustments. In the event of any change in the number of outstanding Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares, or other similar corporate change, the Committee shall make such adjustments, if any, as in its sole discretion it deems equitable in the aggregate number or kind of Restricted Stock or other stock or securities which may be awarded pursuant to the Plan, and in the terms and restrictions of each outstanding Award affected thereby. Such adjustments shall be conclusive and binding upon all parties concerned.

11. Tax Withholding. The Company shall deduct from each Grantee's salary or wages, or, at the option of the Grantee, the Grantee shall pay to the Company, the amount of any tax required by any governmental authority to be withheld on account of an Award or the lapse of restrictions on Restricted Stock. The Committee may, in its sole discretion, permit a Grantee the right to satisfy, in whole or in part, any tax withholding requirement resulting from the lapse of restrictions by electing to require the Company to purchase that number of unrestricted Shares designated by the Grantee at a price equal to the closing price for Shares, as reported for consolidated transactions on the New York Stock Exchange, on the date of lapse of restrictions, or if not traded on such day on the next preceding day on which trading occurred. The Company shall not be required to deliver a certificate for any Shares as to which restrictions shall have lapsed until all such taxes shall have been paid by the Grantee or the person entitled thereto. The Company shall have the right, but not the obligation, to sell or withhold such number of Shares distributable to the person entitled to such distribution as will provide assets for payment of any tax so required to be paid by the Company for such person unless, prior to such sale or withholding, such person shall have paid to the Company the amount of such tax. Any balance of the proceeds of such a

sale remaining after the payment of such taxes shall be paid over to such person. In making any such sale, the Company shall be deemed to be acting on behalf and for the account of such person.

12. Applicable Laws and Regulations. The Company's obligation to issue or deliver any Shares pursuant to an Award shall be subject to such compliance as the Committee in its sole discretion deems necessary or advisable with respect to the listing of such Shares upon any securities exchange, the registration or qualification of such Shares under any federal or state law or the rulings or regulations of any governmental regulatory body, or the obtaining of any approval or consent from any federal, state or other governmental agency.

13. Employment Rights. Nothing in the Plan or in any Restricted Stock Agreement shall confer upon any Grantee the right to continue in the employ of the Company or its Subsidiaries or shall interfere with or restrict in any way the rights of the Grantee's employer to discharge the Grantee at any time for any reason whatsoever, with or without cause.

EXHIBIT 10.11.2

FIRST AMENDMENT TO
REVOLVING CREDIT LOAN AGREEMENT

THIS FIRST AMENDMENT TO REVOLVING CREDIT LOAN AGREEMENT (this "Amendment") is entered into as of July 31, 1993, 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 Loan Agreement dated August 14, 1992 (as the same is hereby amended and as the same may hereafter be amended from time to time, hereinafter referred to as the "Agreement"); 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 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. 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 "Termination Date." Effective as of the date hereof, the definition of "Termination Date set forth in Section 1.131 of the Agreement is hereby amended to read as follows:

"1.131. "Termination Date" shall mean September 30, 1993."

Section 2.02 Amendment to Section 3.03 of the Agreement. Effective as of the date hereof, the reference to "July 31, 1993" set forth in Section 3.03 of the Agreement is hereby amended to read in its entirety as "September 30, 1993".

ARTICLE III

Representations, Warranties, Ratification
and Reaffirmation

Section 3.01 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 hereby 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 3.02 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 Amendment, 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.

Section 3.03 Renewal Note. Contemporaneously with the execution of this Amendment, Pier 1 shall execute and deliver to Bank a Promissory Note of even date herewith (the "Renewal Note"), payable to the order of Bank in the original principal amount of \$25,000,000.00 The Renewal Note shall be in the renewal, extension and modification, but not extinguishment, of the Note. Effective as of the date hereof, each reference in the Agreement and the other Loan Documents to the Note shall mean a reference to the Note as renewed, extended and modified by the Renewal Note.

ARTICLE IV

Miscellaneous

Section 4.01 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 4.02 Guarantors. Each of the undersigned Guarantors acknowledges and agrees to the terms and provisions of this Amendment and agrees that each Guaranty Agreement executed by such Guarantor shall not be impaired hereby and shall remain in full force and effect.

Section 4.03 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 4.04 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; and venue in any such dispute shall be laid in Dallas County, Texas.

Section 4.05 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.

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:

CMEI, INC.

By: _____
Name: _____
Title: _____

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

By: _____
Name: _____
Title: _____

PIR TRADING, INC.

By: _____
Name: _____
Title: _____

PIR TRANSPORTATION, INC.

By: _____
Name: _____
Title: _____

PIER 1 IMPORTS HOLDINGS, INC.

By: _____
Name: _____
Title: _____

b) PIR Guarantors:

PIER 1 IMPORTS, INC.

By: _____
Name: _____
Title: _____

CMEI, INC.

By: _____
Name: _____
Title: _____

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

By: _____
Name: _____
Title: _____

PIR TRANSPORTATION, INC.

By: _____
Name: _____
Title: _____

PIER 1 IMPORTS HOLDINGS, INC.

By: _____
Name: _____
Title: _____

c) U.S. Guarantors:

PIER 1 IMPORTS, INC.

By: _____
Name: _____
Title: _____

CMEI, INC.

By: _____
Name: _____
Title: _____

PIR TRADING, INC.

By: _____
Name: _____
Title: _____

PIR TRANSPORTATION, INC.

By: _____
Name: _____
Title: _____

PIER 1 IMPORTS HOLDINGS, INC.

By: _____
Name: _____
Title: _____

BANK:

BANK ONE, TEXAS, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

SECOND AMENDMENT TO
REVOLVING CREDIT LOAN AGREEMENT

THIS SECOND AMENDMENT TO REVOLVING CREDIT LOAN AGREEMENT (this "Amendment") is entered into as of September 30, 1993, 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 Loan Agreement dated August 14, 1992 as amended by that certain First Amendment to Revolving Credit Loan Agreement dated July 31, 1993 (as the same has been and may hereafter be amended from time to time, as the "Agreement"); 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 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. 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 "Termination Date". Effective as of the date hereof, the definition of "Termination Date" set forth in Section 1.131 of the Agreement is hereby amended to read as follows:

"1.131. "Termination Date" shall mean January 30, 1994".

Section 2.02 Amendment to Section 3.03 of the Agreement. Effective as of the date hereof, the reference to "September 30, 1993" set forth in Section 3.03 of the Agreement is hereby amended to read in its entirety as "January 30, 1994".

Section 2.03 Deletion of Certain Sections. Effective as of the date hereof, the following sections of the Agreement are hereby deleted in their entirety: 1.18, 1.19, 1.20, 1.30, 1.31, 1.33, 1.36, 1.40, 1.48, 1.60, 1.62, 1.71, and 1.110.

Section 2.04 Addition of New Definitions. Effective as of the date hereof, the following definitions are hereby added to Article I of the Agreement in alphabetical order:

"1.18. "Capital Lease Obligation" shall mean any rental obligation which, under GAAP, is or will be required to be capitalized on the books of the Borrower or any Subsidiary, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with such principles.

1.19. "Cash & Equivalents" shall mean any investments permitted under (i), (ii), (iii) or (iv) of the definition of Restricted Investments and cash.

1.20. "Cash Flow Available for Fixed Charges" shall mean the sum of Consolidated Net Income plus depreciation and amortization plus interest expense plus taxes plus operating lease expense, as determined in accordance with GAAP, less Maintenance Capital Expenditures for the Borrower on a Consolidated basis.

1.30. "Consolidated Current Assets" shall mean the current assets of the Borrower and its Subsidiaries as determined on a Consolidated basis in accordance with GAAP.

1.31. "Consolidated Current Liabilities" shall mean the current liabilities of the Borrower and its Subsidiaries as determined on a Consolidated basis in accordance with GAAP.

1.33. "Consolidated Net Income" shall mean (i) for purposes of calculating Cash Flow Available for Fixed Charges, Consolidated gross revenues of the Borrower less all operating and non-operating expenses of Borrower, including all write-downs of assets and other charges of a proper character (including, without limitation, current and deferred taxes on income, provision for taxes on unremitted foreign earnings which are included in gross revenues, and current additions to reserves), but not including in gross revenues any gains (net of expenses and taxes applicable thereto) in excess of losses resulting from the sale, conversion or other disposition of capital assets (i.e., assets other than current assets), any gains or losses arising from the acquisition of outstanding debt securities of the Borrower or any Subsidiary, and gains resulting from the write-up of assets, any equity of the Borrower or any Subsidiary in the undistributed earnings of any Person which is not a Subsidiary, or any portion of the net.

1.34A. "Consolidated Net Worth" shall mean the sum of the Consolidated capital, surplus and retained earnings of the Borrower determined in accordance with GAAP.

1.36. "Consolidated Tangible Net Worth" shall mean the sum of the Consolidated capital, surplus and retained earnings of the Borrower less Intangible Assets of the Borrower, determined in accordance with GAAP.

1.40. "Debt" shall mean with respect to any Person, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) all obligations under leases which shall have been or should be, in accordance with GAAP, recorded as Capitalized Lease Obligations in respect of which such Person is liable as lessee, and (iii) any other indebtedness required to be recorded on the Consolidated financial statements of such Person in accordance with GAAP. Any changes in GAAP requiring operating leases to be included as-indebtedness in the Consolidated financial statements of the Borrower will be effective, for purposes of determining Debt hereunder, only for leases entered into or renewed after the date of the required implementation of such changes in GAAP.

1.48 "Fixed Charges" shall mean the sum of interest expense and payments under operating leases, as determined in accordance with GAAP, for the Borrower and its Subsidiaries on a consolidated basis.

1.60. "Intangible Assets" shall mean goodwill, patents, tradenames, trademarks, copyrights, franchises, experimental expense, organizational expense, unamortized debt discount and expense, the excess of cost of shares acquired over book value of related assets and such other assets as are properly classified as "intangible assets" in accordance with GAAP, but in no event shall Intangible Assets include (i) current prepaid expenses of the Borrower or its Subsidiaries or (ii) receivables of any kind of the Borrower or its Subsidiaries.

1.62. "Investment" shall mean any direct or indirect purchase or other acquisition of, or a beneficial interest in, capital stock or other securities of any other Person, or any direct or indirect loan, advance (other than advances to employees for moving and travel expenses, drawing accounts and similar expenditures in the ordinary course of business) or capital contribution to or investment in any other Person, including without limitation the incurrence or sufferance of Debt or accounts receivable of any other Person which are not current assets or do not arise from sales to that other Person in the ordinary course of business.

1.71. "Maintenance Capital Expenditures" shall mean, for any fiscal quarter, an amount equal to the greater of (i) the product of \$4,500.00 times the average number of retail stores of the Borrower on a Consolidated basis open during the four immediately preceding fiscal quarters and (ii) actual capital expenditures incurred by the Borrower on a Consolidated basis during such fiscal quarter for the maintenance and improvement of its retail stores (other than capital expenditures incurred in connection with new store openings).

1.110 "Restricted Investments" shall mean any investments in or loans and advances to, other 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 and surplus 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) stock or securities received in settlement of debts owing to the Borrower or any Subsidiary not exceeding \$5,000,000.00, including receivables arising from the sale of goods and services in the ordinary course of business of the Borrower and its Subsidiaries, (vi) not more than 1,940,000 shares of the common stock of General Host Corporation, a New York corporation, plus any additional shares 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, (vii) any loans or guaranties made by the Borrower or any of its Subsidiaries to or for the benefit of Sunbelt or any of its Subsidiaries not exceeding an aggregate principal amount of \$12,000,000 at any one time outstanding, (viii) any loan participation program(s) for a period not to exceed seven (7) days with credit risk to companies with long-term debt rating by Standard & Poor's or Moody's of not less than single A, (ix) 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 \$6,500,000 at any one time outstanding, and (x) 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."

Section 2.05 Amendment to Article VIII. Effective as of the date hereof, Sections 8.01, 8.02, 8.03, 8.04(b), 8.04(e) and Section 8.05 are hereby amended in their respective entirety to read as follows:

"8.01. Current Ratio. Permit the ratio of its Consolidated Current Assets to its Consolidated Current Liabilities at any time thereafter to be less than 2.0:1."

"8.02. Consolidated Tangible Net Worth. Permit its Consolidated Tangible Net Worth at any time to be less than \$180,000,000."

"8.03." Limitation on Dividends, Acquisition of Stock and Restricted Investments. Declare 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) which is payable more than 60 days after the date such declaration is made, unless, at the time of such declaration, such dividend complied with this Section 8.03. Borrower covenants that it will not, and will not permit any of its Subsidiaries to, pay or declare any dividend on any class of its stock (other than stock dividends) or make any other distribution on account of any class of its stock (other than dividends or distributions payable solely in shares of its stock) or redeem, purchase or otherwise acquire, directly or indirectly, any shares of its stock, or make any Restricted Investments (all of the foregoing being herein called "Restricted Payments") if the aggregate amount of all such Restricted Payments, from and after February 27, 1993 shall exceed forty million dollars (\$40,000,000). Notwithstanding the

foregoing, no Restricted Payments shall be made unless, after giving effect thereto, no Event of Default shall have occurred and be continuing. There shall not be included in the limitation on Restricted Payments any dividends paid by any Subsidiary of Borrower (a) to its corporate parent which is also a Subsidiary of the Borrower, or (b) to a Borrower.

8.04 "(b)Debt to Consolidated Net Worth - Permit the ratio of its total Debt to its Consolidated Net Worth to exceed 1.6 to 1.0."

8.04"(e)Maintenance of Fixed Charge Coverage - Permit the ratio of Cash Flow Available for Fixed Charges to Fixed Charges, to be determined on the last day of each fiscal quarter for the preceding 12 months, to be less than 1.25 to 1.0 for each of the fiscal quarters ending during the period from the date of this Loan Agreement and for each fiscal quarter ending thereafter."

"8.05 Investments. Make or permit any of its Subsidiaries to make any Investment, except (i) purchases of majority of the outstanding stock of any corporation, (ii) Investments in Borrower, any of its Subsidiaries, or any Person that is wholly-owned by Borrower and/or its Subsidiaries, not to exceed in the aggregate twenty-five million dollars (\$25,000,000) (iii) Investments in Cash Equivalents or readily marketable securities having a quoted market value, (iv) Investments in Persons to the extent permitted by Section 8.03 hereof, (v) Investments in any partnership, corporation or joint venture the sole purposes of which is to obtain land and improvements used in the ordinary course of business of Borrower or any of its Subsidiaries, which Investments under this subsection (v) shall not exceed \$75,000,000 in the aggregate, (vi) loans or advances to employees in the ordinary course of business that do not exceed \$5,000,000 in the aggregate, (vii) any loans or guaranties made by Borrower or any of its Subsidiaries to or for the benefit of Sunbelt or any of its Subsidiaries not exceeding an aggregate principal amount of \$12,000,000 at any one time outstanding, (viii) any loans or guaranties made by Borrower or any of its Subsidiaries to or for the benefit of Pier Retail Group Limited not exceeding an aggregate principal amount of \$6,500,000 at any one time outstanding, (ix) any stock or securities of Sunbelt which Borrower or any of its Subsidiaries acquires through foreclosure of any lien or security interest held by Borrower or any of its Subsidiaries on such stock or securities, and (x) loan participation programs for a period not to exceed seven days with credit risk to companies with long-term debt rating by Standard & Poor's or Moody's of not less than single A."

ARTICLE III

Representations, Warranties, Ratification and Reaffirmation

Section 3.01 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 3.02 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 Amendment, 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.

Section 3.03 Renewal Note. Contemporaneously with the execution of this Amendment, Pier 1 shall execute and deliver to Bank a Promissory Note of even date herewith (the "Renewal Note"), payable to the order of Bank in the original principal amount of \$25,000,000.00. The Renewal Note shall be in renewal, extension and modification, but not extinguishment, of the Note. Effective as of the date hereof, each reference in the Agreement and the other Loan Documents to the Note shall mean a reference to the Note as renewed, extended and modified by the Renewal Note.

Section 3.04 New Guarantor. Effective as of the date hereof, Pier 1 Assets, Inc., a Delaware corporation ("Assets") shall become a Pier Guarantor, a PIR Guarantor and a U.S. Guarantor under the Agreement for all purposes. Borrowers shall cause Assets to execute and deliver a guaranty agreement in form and substance satisfactory to Bank, and such guaranty agreement shall constitute a Pier 1 Guaranty Agreement, a U.S. Guaranty Agreement and a PIR Guaranty Agreement for all purposes.

ARTICLE IV

Miscellaneous

Section 4.01 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 4.02 Guarantors. Each of the undersigned Guarantors acknowledges and agrees to the terms and provisions of this Amendment and agrees that each Guaranty Agreement executed by such Guarantor shall not be impaired hereby and shall remain in full force and effect.

Section 4.03 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 4.04 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; and venue in any such dispute shall be laid in Dallas County, Texas.

Section 4.05 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.

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
REVOLVING CREDIT LOAN AGREEMENT

This THIRD AMENDMENT TO REVOLVING CREDIT LOAN AGREEMENT (this "Amendment") is entered into as of January 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 that certain First Amendment to Revolving Credit Loan Agreement dated July 31, 1993, and by that certain Second Amendment To Revolving Credit Loan Agreement (the "Second Amendment") dated September 30, 1993 (together the "Agreement") relating to credit facilities extended by Bank to Borrowers in the aggregate amount of \$35,000,000.00; and

WHEREAS, Pier 1 and Bank entered into that certain Amended and Restated Loan Agreement dated as of June 4, 1992, as amended by that certain First Amendment to Amended and Restated Loan Agreement dated August 1, 1992, that certain Second Amendment to Amended and Restated Loan Agreement dated August 1, 1993, and that certain Third Amendment to Amended and Restated Loan Agreement dated October 1, 1993 (together the "Restated Agreement") relating to a credit facility extended by Bank to Pier 1 in the principal amount of \$16,000,000.00; and

WHEREAS, Borrowers and Bank now desire to modify the Agreement, consolidate the credit facility governed by the Restated Agreement into an extension and modification of the credit facilities governed by the Agreement, and reduce the total of the consolidated credit facilities to \$50,000,000.00 as hereinafter provided;

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties, and agreements contained herein, and for other 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. Agreement Amendments. Effective as of the date hereof, the Agreement is hereby amended as follows:

(a) Section 1.27 is amended to read as follows:

"1.27 "Committed Sum" shall mean \$50,000,000.00."

(b) Section 1.131 is amended to read as follows:

"1.131. "Termination Date" shall mean August 30, 1994."

(c) Section 3.01 is amended to provide that the Revolving Credit Note shall be in the amount of \$50,000,000.00.

(d) Section 3.03 is amended to change the reference to "January 30, 1994" to "August 30, 1994".

(e) Section 2.03 is amended to provide that issuance of Commercial Letters of Credit shall not be limited by "the Commercial Letter of Credit Limit less the aggregate amount of all Letter of Credit Disbursements to the extent not reimbursed by PIR or U.S.", but rather shall be limited only by application of the Borrowing Limit.

(f) Section 2.05 is amended to provide that issuance of Standby Letters of Credit shall not be limited by "the Standby Letters of Credit Limit less the aggregate amount of all Letter of Credit Disbursements to the extent not reimbursed by PIR or U.S.", but rather shall be limited only by application of the Borrowing Limit.

(g) Section 2.07 is amended to provide that acceptance of Time Drafts shall not be limited by "the Banker's Acceptance Limit less the aggregate amount of all Letter of Credit Disbursements to the extent not reimbursed by PIR or U.S.", but rather shall be limited only by application of the Borrowing Limit.

(h) The second sentence in Section 2.02 is amended to provide in its entirety as follows: "Pier 1 shall furnish to Bank the Request for Borrowing not later than 11:00 a.m. on the requested Negotiated Borrowing date (which must be a Business Day) and prior to noon Fort Worth, Texas time on the requested borrowing date (which must be a Business Day) for a Floating Prime Borrowing."

ARTICLE III

Modification

Section 3.01. Consolidation and Renewal. As of this date, the unpaid principal balance of the Revolving Credit Promissory Note which evidences the credit facility governed by the Restated Agreement, is \$_____. Contemporaneously with the execution of this Amendment, Pier 1 shall execute and deliver to Bank a Promissory Note (the "New Note") of even date herewith, payable to the order of Bank, in the stated principal amount of \$50,000,000.00. The New Note shall include, inter alia, the renewal of the unpaid principal balance, as of this date, of the above Revolving Credit Promissory Note and the \$_____ unpaid principal balance of the Renewal Note as defined in the Second Amendment. The New Note shall be governed exclusively by the Agreement, as hereby amended.

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 Amendment, 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.

Section 4.03. Note. Effective as of the date hereof, each reference in the Agreement and the other Loan Documents to the Note shall mean a reference to the Note as renewed, extended and modified by the New Note.

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. Contemporaneously with the execution of this Amendment, Borrowers will cause each of the Guarantors to respectively execute new Guaranty Agreements in form and substance as required by Bank.

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; and venue in any such dispute shall be laid in Dallas County, Texas.

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.

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: _____

BANK:

BANK ONE, TEXAS, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

EXHIBIT 10.12

LEASE GUARANTEE

THIS LEASE GUARANTEE ("Guarantee") made and entered into as of this 30th day of December, 1992, by and between PIER 1 IMPORTS, INC., a Delaware corporation ("Pier 1"), CMEI, Inc., a Georgia Corporation ("CMEI") (individually and collectively, the "Guarantor"), and PIER SET, INC., a Delaware corporation ("Lessor");

W I T N E S S E T H:

A. Pier 1 Imports (U.S.), Inc. (the "Lessee"), a Delaware corporation, is an indirect wholly-owned subsidiary of Pier 1 and a direct, wholly owned Subsidiary of CMEI. Lessor and Lessee have entered, as of the date hereof, into a certain Master Building Lease (the "Master Building Lease"), as well as a certain Master Ground Lease (the "Master Ground Lease"), each covering thirteen (13) Parcels or Improvements listed on Exhibit "A-1" - "A-13" of each and each providing for New Parcels or New Improvements (collectively, the "Additional Properties") to be added thereto as provided therein. The Master Building Leases and the Master Ground Lease are sometimes collectively referred to herein as the "Lease Agreements".

B. The Lease Agreements have been entered into by Lessor and Lessee with respect to land and improvements, including any Additional Facilities, which have been and are to be financed pursuant to the terms of a certain Loan Agreement (the "Loan Agreement"), between Lessor and National Westminster Bank Plc ("Lender"), of even date herewith in the aggregate sum of up to \$25,000,000. The term "Lender" shall also include any successor or assign of Lender, including any participant in, or other holder of any interest in, any of the Loans (as hereinafter defined). Pursuant to and subject to the terms of the Loan Agreement, Lender has advanced or agreed to advance the aggregate sum of \$8,750,000 (the "Land Loan"), the payment of which is assured, in part, by absolute assignments of the amounts payable under the Master Ground Lease to Lender by Lessor, and the aggregate sum of \$16,250,000 (the "Building Loan"), the payment of which is assured, in part, by absolute assignments of the amounts payable under the Master Building Leases to Lender by Lessor. The outstanding balance of the Land Loan and the outstanding balance of the Building Loan may be increased at a future date(s) pursuant to any advance(s) by Lender of additional sums (the "Future Advance(s)") which shall be allocated between the Land Loan and the Building Loan by written agreement between the parties at the time such Future Advance(s) are made. The proceeds of the Future Advance(s) shall be used for the acquisition of additional properties that will be added to the Master Ground Lease and the Master Building Lease, as "New Parcels" and "New Improvements", respectively, as defined and provided for therein.

C. In consideration of the execution and delivery of the Lease Agreements by Lessor to Lessee, and in recognition that the favorable financing terms offered to Lessor by Lender have been passed through to Lessee through the rental terms of the Lease Agreements, all of which are contingent upon the delivery of this Lease Guarantee by Guarantor; and in recognition that (i) as the indirect parent of Lessee, Pier 1; and (ii) as the direct parent of Lessee, CMEI: will receive direct and material benefits from the delivery of the Lease Agreements and the Loan Agreement and the consummation of the transactions contemplated thereby, Guarantor desires to deliver this Lease Guarantee to Lessor.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, Lessor and Guarantor hereby agree as follows:

1. Guarantee. For value received, and in consideration of Lessor entering into the Lease Agreements with Lessee, Guarantor does hereby unconditionally guarantee the full payment and performance when due, whether at the stated due date, by acceleration or otherwise, of any and all rent, indebtedness, obligations and other amounts of every kind, howsoever created, arising, or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing or owing to Lessor by Lessee pursuant to the Lease Agreements, including, but without limitation, the payment of Net Rent, Contingent Rent Payments, any other amounts owed to Lessor under the Lease Agreements, and/or the purchase price for the respective properties covered thereby in the event the Lessee exercises any purchase options and/or is required to purchase the premises covered thereby under any of the Lease

Agreements, including, without limitation, any attorneys fees, court costs, or other enforcement costs of any kind or nature, including those incurred during pre-trial, trial or appellate levels (all such indebtedness and obligations, including those with respect to the Additional Properties when added to the coverage of the Lease Agreements, being hereinafter collectively called the "Obligations"). Pier 1, as the indirect parent corporation of Lessee, and CMEI, as the direct parent corporation of Lessee, jointly and severally hereby agree that upon any default by Lessee in the payment or performance of any of the Obligations when and as due, Guarantor will forthwith pay and/or perform the same immediately upon demand and without notice.

Guarantor acknowledges that at such time(s) as Additional Properties are added to the Lease Agreements, each and every payment and performance obligation (including increased rent) of Lessor under the Lease Agreements is automatically guaranteed hereunder without the need of any confirmation and without any notice to Guarantor. Upon request by Lender, Guarantor agrees to confirm by supplement this Guarantee with respect to the Additional Properties. Such a supplement would be executed by Guarantor and would contain a reaffirmation of representations and warranties contained herein and a confirmation that this Guarantee covers the Additional Properties as if such Additional Properties had been included as of the date hereof. A supplement, however, is not required for this Guarantee to cover each of the Lease Agreements including those applicable to the Additional Properties when such Additional Properties become subject to the respective Lease Agreements.

2. Guarantee Continuing, Absolute, Unlimited. This Guarantee is a continuing, absolute and unlimited guarantee of payment and performance as primary obligor and not as surety. This Guarantee shall apply to all Obligations pursuant to the Lease Agreements, including those applicable to the Additional Properties when such Additional Properties become subject to the respective 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 Lessee or any other person, firm or corporation or against any property securing any of the Obligations before resorting to 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 or the rejection of the Lease Agreements in bankruptcy, and notwithstanding any claim, defense (other than payment by Guarantor) or right of set-off which Lessee or 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 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. 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 Lessee, or otherwise, as though such payment to Lessor had not been made.

3. Definitions. Unless otherwise indicated, capitalized terms used herein and not defined below shall have the respective meanings given to them in the Lease Agreements. In addition to the definitions provided in the Lease Agreements, the following words and terms shall have the meanings indicated below:

"Affiliate" of any designated Person means any Person that has a relationship with the designated Person whereby either of such Persons directly or indirectly controls or is controlled by or is under common control with the other, or holds or beneficially owns five percent (5%) or more of any class of voting securities of the other. For this purpose, "control" means the power, direct or indirect, of one Person to direct or cause direction of the management and policies of another, whether by contract, through voting securities or otherwise. Notwithstanding the foregoing, no Person shall be deemed to be an Affiliate of another solely by reason of such Person's being a participant in a joint operating group or joint undivided ownership group.

"Auditors" shall mean Price Waterhouse & Co., or other independent certified public accountants selected by Guarantor and reasonably acceptable to Lessor.

"Capitalized Lease Obligation" shall mean any rental obligation which, under GAAP, is or will be required to be capitalized on the books of Pier 1 or any Subsidiary, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with such principles.

"Cash Equivalents" shall mean (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 \$100,000,000) due within one year and payable in U.S. dollars, (iii) commercial paper rated P-1 by Moody's Investors Service, Inc. ("Moody's") or A-1 by Standard & Poor's Corporation ("Standard and Poor's") and (iv) debt of any U.S. state or political subdivision thereof that is rated A or better by Moody's or Standard & Poor's and that matures within one (1) year.

"Cash Flow Available for Fixed Charges" shall mean the sum of Consolidated Net Income plus depreciation and amortization plus interest expense plus taxes plus operating lease expense, as determined in accordance with GAAP, less Maintenance Capital Expenditures for Pier 1 on a Consolidated basis.

"Code" shall have the same meaning given that term in Section 6(i) hereof.

"Consolidated" shall mean the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person's Consolidated financial statements, financial position, financial condition, liabilities, etc., refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

"Consolidated Current Assets" shall mean the current assets of Pier 1 and its Subsidiaries as determined on a Consolidated basis in accordance with GAAP.

"Consolidated Current Liabilities" shall mean the current liabilities of Pier 1 and its Subsidiaries as determined on a Consolidated basis in accordance with GAAP.

"Consolidated Net Income" shall mean (i) for purposes of calculating Cash Flow Available for Fixed Charges, Consolidated gross revenues of Pier 1 less all operating and non-operating expenses of Pier 1, including all write-downs of assets and other charges of a proper character (including, without limitation, current and deferred taxes on income, provision for taxes on unremitted foreign earnings which are included in gross revenues, and current additions to reserves), but not including in gross revenues any gains (net of expenses and taxes applicable thereto) in excess of losses resulting from the sale, conversion or other disposition of capital assets (i.e., assets other than current assets), any gains or losses arising from the acquisition of outstanding debt securities of Pier 1 or any Subsidiary, any gains resulting from the write-up of assets, any equity of Pier 1 or any Subsidiary in the undistributed earnings of any Person which is not a Subsidiary, or any portion of the net income of any Subsidiary which for any reason is unavailable for payment of dividends to Pier 1 or to another Subsidiary, or any earnings of any Person acquired by Pier 1 or any Subsidiary through purchase, merger, consolidation or otherwise for any year prior to the year of acquisition, merger or consolidation, or any deferred credits representing the excess of any equity in any Subsidiary at the date of acquisition over the cost of investment in such Subsidiary, all determined in accordance with GAAP, and (ii) for all other purposes, net income of Pier 1 and its Subsidiaries as determined on a Consolidated basis in accordance with GAAP.

"Consolidated Net Tangible Assets" shall mean all assets of Pier 1 and its Subsidiaries less Intangible Assets, Consolidated Current Liabilities, long term liabilities (other than Funded Debt and Capitalized Lease Obligations) and all deferrals of Pier 1 and its Subsidiaries.

"Consolidated Tangible Assets" shall mean all assets of Pier 1 and its Subsidiaries less Intangible Assets.

"Consolidated Tangible Net Worth" shall mean the sum of the Consolidated capital, surplus and retained earnings of Pier 1 less Intangible Assets of Pier 1, determined in accordance with GAAP.

"Debt" shall mean with respect to any Person, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) all obligations under leases which shall have been or should

be, in accordance with GAAP, recorded as Capitalized Lease Obligations in respect of which such Person is liable as lessee, and (iii) any other indebtedness required to be recorded on the Consolidated financial statements of such Person in accordance with GAAP. Any changes in GAAP requiring operating leases to be included as indebtedness in the Consolidated financial statements of Pier 1 will be effective, for purposes of determining Debt hereunder, only for leases entered into or renewed after the date of the required implementation of such changes in GAAP.

"Default" shall mean the occurrence of any event which, with the lapse of time, notice or otherwise, would constitute an event specified under Section 14(a) of this Guarantee.

"ERISA" shall have the meaning given in Section 6(j).

"FDIC" shall mean the Federal Deposit Insurance Corporation (or any successor).

"Fixed Charges" shall mean, for Pier 1 and its Subsidiaries on a consolidated basis, calculated for the preceding 12 calendar month period, the sum of interest expense and payments under operating leases, determined in accordance with GAAP.

"Funded Debt" shall mean, for Pier 1 on a Consolidated basis, Debt (including Guaranteed Debt and current maturities of Funded Debt, as defined herein) which (i) matures more than one (1) year from the date of determination or matures within one (1) year from such date that is renewable or extendable, at the option of the debtor, to a date more than one (1) year from such date, or (ii) arises under a revolving credit or similar agreement which obligates the lender or lenders to extend credit during a period of more than one (1) year from such date; provided, however, that merchandise letters of credit and bankers' acceptance and similar credit instruments shall not be deemed to be Funded Debt unless they have a stated maturity of more than one (1) year, notwithstanding that the debtor may have the option to renew or extend such maturity.

"GAAP" shall mean generally accepted accounting principles, applied on a consistent basis, as set forth in the Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants and/or in statements of the Financial Accounting Standards Board and/or in such other statements by such other entity as the Lessor may approve, which are applicable as of the date in question. The requisite that such principles be applied on a consistent basis shall mean that the accounting principles observed in a current period are comparable in all material respects to those applied in a preceding period. Unless otherwise indicated herein, all accounting terms shall be defined according to GAAP.

"Guarantee" shall mean this Lease Guarantee and all amendments, modification, substitutions and ratification hereto.

"Guaranteed Debt" shall mean, with respect to any Person, without duplication, any Debt of another Person referred to in clause (i), (ii) or (iii) of the definition of "Debt" guaranteed directly or indirectly in any manner by such Person or in effect guaranteed directly or indirectly in any manner by such Person.

"Guarantor" shall mean each of CMEI and Pier 1.

"Intangible Assets" shall mean goodwill, patents, trade names, trademarks, copyrights, franchises, experimental expense, organization expense, unamortized debt discount and expense, the excess of cost of shares acquired over book value of related assets and such other assets as are properly classified as intangible assets in accordance with GAAP, but in no event shall Intangible Assets include (i) current prepaid expenses of Pier 1 or its Subsidiaries or (ii) receivables of any kind of Pier 1 or its Subsidiaries.

"Investment" shall mean any direct or indirect purchase or other acquisition of, or a beneficial interest in, capital stock or other securities of any other Person, or any direct or indirect loan, advance (other than advances to employees for moving and travel expenses, drawing accounts and similar expenditures in the ordinary course of business) or capital contribution to or investment in any other Person, including without limitation the incurrence or sufferance of Debt or accounts receivable of any other Person which are not current assets or do not arise from sales to that other Person in the ordinary course of business.

"Law" shall mean all statutes, laws, ordinances, rules, regulations, orders, writs, injunctions or decrees of any Tribunal.

"Lease Agreements" shall have the meaning given in Recital A hereof.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, including without limitation, any agreement to give or not to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement or other similar form of public notice under the Laws of any jurisdiction.

"Litigation" shall mean any proceeding, claim, lawsuit, arbitration and/or investigation conducted or threatened by or before any tribunal, including, without limitation, proceedings, claims, lawsuits and/or investigations under or pursuant to any environmental, occupational safety and health, antitrust, unfair competition, securities, Tax or other Law, or under or pursuant to any contract, agreement or other instrument; provided, however, that Litigation shall not include any of the foregoing that is covered by adequate insurance.

"Maintenance Capital Expenditures" shall mean for any fiscal quarter, an amount equal to the greater of (i) one-fourth (1/4) of the product of \$4,500 times the average number of retail stores of Pier 1 and its Subsidiaries on a consolidated basis open during the four immediately preceding fiscal quarters and (ii) actual capital expenditures incurred by Pier 1 and its Subsidiaries on a consolidated basis during such fiscal quarter for the maintenance and improvement of its retail stores (other than capital expenditures incurred in connection with new store openings).

"Material Adverse Effect" shall mean any act, circumstance or event that (i) causes a Default (as hereinafter defined), or (ii) otherwise might be material and adverse to the financial condition or business operations of Pier 1 and its Subsidiaries on a consolidated basis, or (iii) could materially adversely affect the ability of Pier 1 to perform under this Guarantee.

"Net Earnings Available for Fixed Charges" shall mean, for Pier 1 and its Subsidiaries on a consolidated basis, calculated for the preceding 12 calendar month period, the sum of net income determined in accordance with GAAP, plus taxes, plus interest expense, plus operating lease expense determined in accordance with GAAP, plus depreciation and amortization, and minus Maintenance Capital Expenditures determined in accordance with GAAP.

"Net Income" or "net income" shall mean the net income of the applicable Person or Persons before minority interests as determined in accordance with GAAP.

"Officer's Certificate" shall mean a certificate signed in the name of Guarantor by its Chief Executive Officer, President, one of its Executive Vice Presidents, its Chief Financial Officer or its Controller.

"PBGC" shall have the meaning given in Section 6(j) hereof.

"Person" shall mean and include an individual, partnership, joint venture, corporation, trust, Tribunal, unincorporated organization or government, or any department, agency or political subdivision thereof.

"Plan" shall have the meaning given in Section 6(j) hereof.

"Property" shall mean all types of real, personal, tangible, intangible or mixed property.

"Restricted Investments" shall mean any investments in or loans and advances to, other 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) obligations or securities of a Subsidiary or a corporation which immediately after such purchase or acquisition will be a Subsidiary, (vi) stock or securities received in settlement of debts owing to Guarantor or any Subsidiary not exceeding \$5,000,000.00, including receivables arising

from the sale of goods and services in the ordinary course of business of Guarantor and its Subsidiaries, (vii) travel or like advances to officers and/or employees in the ordinary course of business and loans to officers and/or employees made on or before May 24, 1991 for the purchase of capital stock of Pier 1 (including the capitalization of up to one-half of the accrued interest on such loans to officers and/or employees), with all such travel or like advances and loans not exceeding \$10,000,000.00 in the aggregate, (viii) any stock or securities of Sunbelt owned on the date hereof and (ix) any loans made or deemed to be made by Pier 1 to Sunbelt solely as a result of Pier 1's payment of the Guaranteed Debt of Sunbelt guaranteed by Pier 1, pursuant to the terms of the Sunbelt Debt Guarantee.

"Restricted Payment" shall have the meaning given in Section 8(c) hereof.

"Restrictive Agreement" shall mean any written agreement of Pier 1 delivered to the Lessor in connection with this Guarantee.

"Secured Debt" shall mean all indebtedness for borrowed money including indebtedness evidenced by a bond, debenture, note or similar document, which is secured by a lien on any assets of Pier 1 or any Subsidiary or any shares of stock or Debt of any Subsidiary.

"Senior Funded Debt" shall mean the Notes and Funded Debt which by its terms is not subordinated in right of payment to the Notes. For the purposes of this definition of Senior Funded Debt, the term "Notes" shall have the meaning ascribed to that term in that certain Note Purchase Agreement dated as of May 24, 1991 executed by and between Pier 1 and Teachers Insurance Annuity Association of America as amended from time to time.

"Short Term Debt" means, for Pier 1, Consolidated Debt (including Guaranteed Debt) which matures within one (1) year from the date of determination thereof. Short Term Debt shall not include current maturities of Funded Debt.

"Subsequent Holder" shall mean each or any Person which is a direct or indirect transferee of any of the rights, interests and/or benefits of Lessor under this Guarantee.

"Subsidiary" shall mean, as to any particular parent corporation, any corporation in a related line of business of which more than fifty percent (by number of votes) of the Voting Stock shall be owned by such parent corporation and/or one or more corporations which themselves have more than fifty percent (by number of votes) of their Voting Stock owned by such parent corporation. As used herein, the term "Subsidiary" shall also mean any "subsidiary" of Pier 1.

"Sunbelt" shall mean Sunbelt Nursery Group, Inc., a Delaware corporation.

"Taxes " shall mean all taxes, assessments, fees or other charges at any time imposed by any Laws or Tribunal.

"Tribunal " shall mean any municipal, state, commonwealth, federal, foreign, territorial or other court, governmental body, subdivision, agency, department, commission, board or bureau or instrumentality.

"Trigger Event " means either (i) an Environmental Event (as defined in the Lease Agreements) or (ii) any failure by Pier 1 at any applicable time to satisfy each of the financial test requirements set forth in Section 8 of this Guarantee.

"Voting Stock" shall mean, with respect to any Subsidiary, any shares of any class of stock of such Subsidiary having general voting power under ordinary circumstances to elect a majority of the Board of Directors of such Subsidiary irrespective of whether at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency.

4. Guarantee Not Affected by Change in Security or Other Actions. Lessor may, from time to time, without the consent of or notice to Guarantor, take any or all of the following actions without impairing or affecting Guarantor's obligations under this Guarantee or releasing or exonerating Guarantor from any of its liabilities hereunder:

(a) retain or obtain a security interest in any property to secure any of

the Obligations or any obligation hereunder;

(b) retain or obtain the primary or secondary liability of any party or parties, in addition to the undersigned corporation, with respect to any of the Obligations;

(c) extend the time or change the manner, place or terms of payment of, or renew or amend the Lease Agreements, any note or other instrument executed in connection with or evidencing the Obligations or any part thereof, or amend in any manner any agreement relating thereto, or include the New Parcels or the New Improvements in the coverage of the Master Ground Lease or of the Master Building Lease, respectively as defined and provided for therein;

(d) release or compromise, in whole or in part, or accept full or partial payment for, any of the Obligations hereby guaranteed, or any liability of any nature of any other party or parties with respect to the Obligations or any security therefor;

(e) subordinate the payment of all or any part of the Obligations to the payment of any liability of Lessee to creditors of Lessee other than Lessor or Guarantor;

(f) enforce Lessor's security interest, if any, in all or any properties securing any of the Obligations or any obligations hereunder in order to obtain full or partial payment of the Obligations then outstanding;

(g) release or fail to perfect, protect, or enforce Lessor's security interest, if any, in all or any properties securing any of the Obligations or any obligation hereunder, or permit any substitution or exchange for any such property; and

(h) take or fail to take any other action of whatever kind or character with respect to the Obligations, the Lease Agreements or any other document or instrument, it being the intention of Guarantor that it shall remain liable as primary obligor for the Obligations notwithstanding any act, omission or thing which might, but for the provisions hereof, otherwise operate as a legal or equitable discharge of any guarantor.

5. Waivers. Guarantor hereby expressly waives:

(a) notice of acceptance of this Guarantee;

(b) notice of the existence or incurrence of any or all of the Obligations;

(c) presentment, demand, notice of dishonor, notice of intent to accelerate, notice of acceleration, protest, and all other notices whatsoever;

(d) any requirement that proceedings first be instituted by Lessor against Lessee;

(e) all diligence in collection or protection of or realization upon the Obligations or any part thereof, or any obligation hereunder, or any collateral for any of the foregoing;

(f) any rights or defenses based on Lessor's election of remedies, including any defense to Lessor's action to recover any deficiency after a non-judicial sale;

(g) the occurrence of every other condition precedent to which Guarantor might otherwise be entitled; and

(h) any right to require Lessor to marshal assets.

6. Representations and Warranties of Guarantor. Guarantor represents and warrants to Lessor that:

(a) (i) Pier 1 has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware and CMEI has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Georgia (ii) Guarantor has full corporate power and authority to own and operate its properties and to conduct its business as presently conducted, and full corporate power,

authority and legal right to execute, deliver and perform its obligations under this Guarantee and any consent executed in connection herewith, and (iii) is duly qualified to do business as a foreign corporation in good standing in each jurisdiction, including, without limitation, the State of Texas, in which its ownership or leasing of properties or the conduct of its business requires such qualification and where non-qualification, singularly or in the aggregate, would materially adversely affect the financial condition or creditworthiness of Guarantor, or would impair the ability of Guarantor to perform its obligations under this Guarantee, (iii) (A) all of the issued and outstanding voting stock of Lessee is owned by CMEI and (B) all of the issued and outstanding voting stock of CMEI is owned by Pier 1; free and clear from all liens, security interests, charges and encumbrances whatsoever.

(b) This Guarantee has been duly authorized, executed and delivered by Guarantor and is a legal, valid and binding obligation of Guarantor, enforceable according to its terms (subject as to enforcement of remedies to any applicable bankruptcy, reorganization, moratorium, or other Laws or principles of equity affecting the enforcement of creditors' rights generally).

(c) The execution, delivery and performance by Guarantor of this Guarantee will not result in any violation of any term of the certificate of incorporation or the by-laws of Guarantor, do not require stockholder approval or the approval or consent of any trustee or holders of Debt of Guarantor except such as have been obtained prior to the date hereof, and will not conflict with or result in a breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien upon, any property or assets of Guarantor under, any indenture, mortgage or other agreement or instrument to which Guarantor is a party or by which it or any of its property is bound where breach or default, singly or in the aggregate, could materially adversely affect the financial condition or creditworthiness of Guarantor, or any existing applicable law, rule, regulation, license, judgment, order or decree of any government, governmental body or court having jurisdiction over Guarantor or any of its activities or properties.

(d) There are no consents, licenses, orders, authorizations or approvals of, or notices to or registrations with any governmental or public body or authority which are required in connection with the valid execution, delivery and performance of, this Guarantee by Guarantor that have not been obtained or made, and any such consents, licenses, orders, authorizations, approvals, notices and registrations that have been obtained or made are in full force and effect.

(e) Except as disclosed in writing to Lessor by Guarantor concurrently herewith, there is no action, suit, proceeding or investigation at law or in equity by or before any court, governmental body, agency, commission or other Tribunal now pending or, to the best knowledge of Guarantor after due inquiry, threatened against or affecting Guarantor or any property or rights of Guarantor as to which there is a significant possibility of an adverse determination, and which if adversely determined, may have a Material Adverse Effect on the financial condition or business of Guarantor or which, if adversely determined could materially impair the ability of Guarantor to perform its obligations under this Guarantee, and there is no action, suit, proceeding or investigation at law or in equity by or before any court, governmental body, agency, commission or other Tribunal now pending or, to the best knowledge of Guarantor after due inquiry, threatened which questions or would question the validity of this Guarantee with respect to Guarantor.

(f) Guarantor is not in default under or with respect to any agreement or other instrument to which it is a party or by which it or its assets may be bound which would have a Material Adverse Effect on the financial condition of Guarantor or the ability of Guarantor to perform its obligations under this Guarantee. Guarantor is not subject to or in default under any order, award or decree of any court, arbitrator, or other governmental authority binding upon or affecting it or by which any of its assets may be bound or affected which would have a Material Adverse Effect on the ability of Guarantor to carry on its business as presently conducted or to perform its obligations under this Guarantee.

(g) Guarantor has filed or caused to be filed all tax returns which to the knowledge of Guarantor are required to be filed, and has paid all Taxes shown to be due and payable on said returns or on any assessments made against it, except for (i) returns which have been appropriately extended and

(ii) Taxes, fees, assessments or other charges, the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Guarantor.

(h) Pier 1 and each of its Subsidiaries are in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Internal Revenue Code of 1986, as amended (the "Code"), and the rules and regulations thereunder insofar as ERISA, the Code and such rules and regulations relate to any employee benefit plan as defined in Section 3(3) of ERISA. No employee pension benefit plan (as defined in Section 3(2) of ERISA) maintained by Pier 1 or any of its Subsidiaries for its employees and covered by ERISA (a Plan) had an accumulated funding deficiency, within the meaning of said term under Section 302 of ERISA, as of the last day of the most recent fiscal year of such plan, and neither Pier 1 nor any of its Subsidiaries has incurred with respect to any Plan any liability to the Pension Benefit Guaranty Corporation ("PBGC") which is material to the consolidated financial condition of Pier 1 or any of its Subsidiaries. For the purpose of this paragraph, the term Subsidiary shall include a Controlled Group of Corporations as that term is defined in Section 1563 of the Code or Section 4.001 of ERISA.

(i) The consolidated balance sheets of Pier 1 and its Subsidiaries as of February 29, 1992 and the related consolidated statements of income and retained earnings of Pier 1 and its Subsidiaries for the fiscal year then ended, reported on by its Auditors, and the consolidated balance sheets of Pier 1 and its Subsidiaries for the six month period ending August 29, 1992 and related consolidated statements of income and retained earnings of Pier 1 and its Subsidiaries for the period then ended fairly present the consolidated financial condition and the results of operations of Pier 1 and its Subsidiaries for the periods ending on such date all in accordance with GAAP, and since the dates thereof there has been no material adverse change in such condition or operations.

7. Affirmative Covenants. Pier 1 covenants and agrees that, so long as any part of the Obligations shall remain unpaid or Lessee shall have any commitment or obligation under the Lease Agreements, including, with respect to the Additional Properties, Pier 1 will, unless Lessor shall otherwise consent in writing:

(a) Financial Statements. Deliver to the Lessor or any Subsequent Holder, as appropriate, in duplicate:

(i) Quarterly Statements: as soon as practicable and in any event within 60 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, a Consolidated statement of operations, a Consolidated statement of changes in financial position of Pier 1, and a Consolidated balance sheet of Pier 1 as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and prepared by an authorized financial officer of Pier 1;

(ii) Annual Statements: as soon as practicable and in any event within 100 days after the end of each fiscal year, a Consolidated statement of operations, and a Consolidated statement of changes in financial position of Pier 1 for such year, and a Consolidated balance sheet of Pier 1 as at the end of such year, setting forth in each case in comparative form corresponding Consolidated figures from the preceding year, all in reasonable detail and satisfactory in scope to the Lessor or any Subsequent Holder, together with an opinion by the Auditors, whose opinion shall (a) state that such financial statements have been prepared in accordance with GAAP and fairly present the Consolidated financial position of Pier 1 as of the date thereof and the Consolidated results of their operations for the period thereof, (b) state that their audit examination has included a review of the terms of the Lease Agreements and this Guarantee as they relate to accounting matters, and (c) state whether, in the course of their audit examination, they obtained knowledge (and state whether they have knowledge of the existence as of the date of such written statement) of any condition or event which constitutes a Default or Event of Default, and if so, specifying the nature and period of existence thereof (notwithstanding the foregoing, the opinion of the Auditors need not contain the statements otherwise required by clauses (b) and (c) of this subparagraph (ii) so long as Pier 1 is a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended);

(iii) SEC and Other Reports: promptly upon transmission thereof, copies of all such financial statements, proxy statements, notices and reports as it shall send to its public security holders and copies of all registration statements (without exhibits) and all reports which it files with the Securities and Exchange Commission (or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission);

(iv) Audit Reports: promptly upon receipt thereof, a copy of each other report submitted to Pier 1 or any Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of Pier 1 or any Subsidiary (other than any "management letters" delivered to Guarantor by such accountants, which management letters shall only be delivered to the Lessor or any Subsequent Holder upon such Person's prior request);

(v) Other Notices: promptly upon the occurrence thereof, notice of any of the following: (a) any condition or event which constitutes a Default, Event of Default or Trigger Event, specifying the nature and period of existence thereof, (b) that any Person has given any notice to Guarantor with respect to a claimed Default or Event of Default, or (c) that any Person has given any notice to Pier 1 or any Subsidiary or taken any other action with respect to a claimed default or event of default with respect to any other indebtedness which in the aggregate exceeds the sum of \$5,000,000 and, with respect to any of such events specified in subdivisions (a), (b) or (c) above of this clause (v), what action Pier 1 or such Subsidiary has taken, is taking or proposes to take;

(vi) ERISA Events: promptly upon any officer of Guarantor obtaining knowledge of the occurrence thereof, notice of the occurrence of any (a) "reportable event", as such term is defined in section 4043 of ERISA, or (b) "prohibited transaction", as such term is defined in section 4975 of the Code, in connection with any Plan or any trust created thereunder, specifying the nature thereof, what action Pier 1 or its Subsidiary has taken, is taking or proposes to take with respect thereto, and, when known, any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto; provided that with respect to the occurrence of any "reportable event" as to which the PBGC has waived the 30-day reporting requirement, such written notice need be given only at such time as notice is given to the PBGC; and

(vii) Requested Information: with reasonable promptness, such other financial data or other data or information related to the business or operations of Pier 1 or its Subsidiaries as the Lessor or any Subsequent Holder may reasonably request. The Lessor agrees that the Lessor will not intentionally disclose any information given to the Lessor by Pier 1 or any of its Subsidiaries which is either propriety or confidential and which is prominently marked as such, provided, however, that this restriction shall not apply to information which has at the time in question entered the public domain, nor will this restriction prohibit the Lessor from disclosing such information (a) as is required to be disclosed by Law or by any order, rule or regulation (whether valid or invalid) of any Tribunal, (b) to the Lessor's or any Subsequent Holder's auditors, attorneys or agents, or (c) to purchasers or prospective purchasers of interests in the Obligations.

Together with each delivery of financial statements required by clause (i) above, Pier 1 will deliver to the Lessor or any Subsequent Holder an Officer's Certificate demonstrating (with computations in reasonable detail where applicable) compliance by Pier 1 and its Subsidiaries with the provisions of Sections 8(a), 8(b), 8(c), 8(d)(i)(g), 8(d)(ii), 8(d)(iii), 8(d)(iv), 8(d)(v), 8(d)(vi) and 8(d)(vii) and stating that there exists no Event of Default or Default with respect thereto, or, if any such Event of Default or Default exists under or with respect to such covenants, specifying the nature and period of existence thereof and what action Pier 1 proposes to take with respect thereto. By delivery of such Officer's Certificate, the officer executing such certificate represents and warrants that the statements made therein are based upon the level of investigation normally and customarily taken by Treasurers or Chief Financial Officers of similarly situated corporations of established reputation in performing their regular duties. In the event that a change(s) in GAAP related to the accounting for leases requires Pier 1 to use accounting principles for purposes of determinations or computations under this Guarantee different than Pier 1 uses in its quarterly and annual financial statements, Pier 1 will, together with the delivery of financial statements required by clause (ii) above with respect to the fiscal year in which such change(s) in GAAP became applicable, deliver to the Lessor or any Subsequent Holder a certificate of such

accountants stating that, in making the audit necessary to the certification of such financial statements, they have obtained no knowledge of any Event of Default or Default, or, if they have obtained knowledge of any Event of Default or Default, specifying the nature and period of existence thereof.

(b) Payment and Performance; Maintain Books and Reserves. Duly and punctually pay and perform all of its covenants, agreements, debts, duties and obligations in accordance with its terms. Guarantor will, and will cause each of its Subsidiaries to, keep proper books of record and account and set aside appropriate reserves, all in accordance with GAAP.

(c) Inspection of Property. Permit any Person designated by the Lessor or any Subsequent Holder, at the Lessor's or such Subsequent Holder's expense and with reasonable notice to Guarantor, to visit and inspect any of the properties of Guarantor and its Subsidiaries, to examine the corporate books and financial records of Guarantor and its Subsidiaries and make copies thereof or extracts therefrom and to discuss the affairs, finances and accounts of any such corporations with officers and employees of Guarantor and its Auditors, all at such reasonable times and as often as the Lessor or such Subsequent Holder may reasonably request. The Lessor agrees that the Lessor will keep confidential any proprietary or confidential information given to the Lessor by Guarantor or its Subsidiaries upon the same terms and conditions as agreed to with respect to information the Lessor has obtained pursuant to Section 7(a) (vii) hereof.

(d) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects with all Laws applicable to its business, such compliance to include, without limitation, paying before the same become delinquent all Taxes imposed upon it or upon its property, except to the extent contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP, and provided that Guarantor or its Subsidiary, as the case may be, retains good and marketable title to and the right to the use and enjoyment of its properties or other assets which may be affected by any such contest. Guarantor will timely pay, and will cause its Subsidiaries to timely pay, all payments due for labor, services and materials rendered or furnished in the ordinary course of business which are secured by inchoate statutory Liens, except to the extent contested in good faith by appropriate proceedings, and provided that Guarantor or its Subsidiary, as the case may be, retains good and marketable title to and the right to the use and enjoyment of its properties or other assets which may be affected by any such contest. Guarantor will promptly notify the Lessor or any Subsequent Holder if Guarantor receives any notice, claim or demand from any governmental agency which alleges that Guarantor is in violation of any Laws or has failed to comply with any order issued pursuant to any federal, state or local statute regulating its operation and business, the result of which may have a Material Adverse Effect.

(e) Maintenance of Existence and Qualifications. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its corporate existence and its rights and franchises in full force and effect and obtain and maintain, and cause each of its Subsidiaries to obtain and maintain, all permits and licenses necessary to the proper conduct of its business, including without limitation qualifying to do business as a foreign corporation in all states or jurisdictions where required by applicable Law. Notwithstanding the foregoing, this Section 7(e) shall not prohibit any transaction expressly permitted by Sections 8(d) (vi) and 8(d) (vii) of this Guarantee.

(f) Maintenance of Properties: Insurance. Maintain, preserve, protect, and keep, and cause each of its Subsidiaries to maintain, preserve, protect and keep, all property used or useful in the conduct of its business in good condition and in compliance with all applicable Laws, and will from time to time make any repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times. Guarantor will, and will cause each of its Subsidiaries to, carry and maintain in full force and effect at all times with financially sound and reputable insurers (or, in an insurance fund or by self-insurance authorized by the jurisdiction in which its operations are carried on) insurance in such amounts (and with co-insurance and deductibles) as such insurance is usually carried by corporations of established reputation engaged in the same or similar businesses and similarly situated, and Guarantor and its Subsidiaries shall maintain self-insurance only to the extent that a prudent corporation of established reputation engaged in the same or similar businesses and similarly situated

would rely upon self-insurance.

(g) Primary Business. Continue to conduct, and cause each of the Subsidiaries to continue to conduct, substantially all of their operations in the same primary businesses as those in which they currently operate (i.e., developing, owning and operating, in the United States and Canada and in territories of the United States and Canada, (i) specialty retail stores offering primarily imported decorative home furnishings, accessories and other specialty items for the home and casual clothing and fashion accessories and (ii) specialty retail stores offering primarily nursery and garden products).

(h) Transactions with Affiliates. Conduct and cause each Subsidiary to conduct all of their respective transactions with any Affiliate on an arm's length basis and pursuant to the reasonable requirements of Guarantor's and/or such Subsidiary's business. In addition, Guarantor's Board of Directors shall approve, pursuant to Delaware law and evidenced by a resolution approved by the requisite number of such directors: (i) any individual transaction between an Affiliate of Guarantor and Guarantor or any Subsidiary for more than \$1,000,000; and (ii) any such transactions involving Guarantor and its Subsidiaries which in the aggregate exceed \$10,000,000 for any fiscal year of Guarantor.

(i) Further Assurances. Upon request of the Lessor, promptly cure any defects in the creation, issuance, execution and delivery of this Guarantee or in the Reimbursement Agreement. Each Guarantor, at its expense, will further promptly execute and deliver to the Lessor upon request all such other and further documents, agreements and instruments in compliance with or accomplishment of the covenants and agreements of Guarantor hereunder, or to further evidence and more fully describe the obligations of such Guarantor for the Obligations as primary obligor, or to correct any omissions herein, or to more fully state the obligations set out herein.

(j) Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance policies with respect to its Property and business in such amounts and against such casualties and contingencies as is customary in its industry or as may otherwise be required by the terms of any agreement applicable thereto.

8. Negative Covenants. Guarantor covenants and agrees that, so long as any part of the Obligations shall remain unpaid or Lessee shall have any commitment or obligation under the Lease Agreements, including any commitment or obligation with respect to the Additional Properties, it will not, and will not permit any Subsidiary to (other than with respect to the requirements hereof which are expressly applicable only to Pier 1 on a consolidated basis), unless Lessor and Lender otherwise consent in writing:

(a) Current Ratio. Permit the ratio of Pier 1's Consolidated Current Assets to its Consolidated Current Liabilities at any time to be less than 2.0:1.

(b) Consolidated Tangible Net Worth. Permit Pier 1's Consolidated Tangible Net Worth at any time to be less than an amount equal to the sum of (i) \$160,000,000 plus (ii) 50% of the aggregate Consolidated Net Income of Guarantor for the period commencing on February 29, 1992 (without deduction for any net loss in any fiscal year ending after February 29, 1992) 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. Declare 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) which is payable more than 60 days after the date such declaration is made, unless, at the time of such declaration, such dividend complied with this Section 8(c). Guarantor covenants that it will not, and will not permit any of its Subsidiaries to, pay or declare any dividend on any class of its stock (other than stock dividends) or make any other distribution on account of any class of its stock (other than dividends or distributions payable solely in shares of its stock), or redeem, purchase or otherwise acquire, directly or indirectly, any shares of its stock, or make any Restricted Investments (all of the foregoing being herein called "Restricted Payments") if the aggregate amount of all such Restricted Payments, from and after February 29, 1992, shall exceed the sum of (i) 50% of the aggregate Consolidated Net Income of Guarantor for the period (taken as one accounting

period) commencing on February 29, 1992 and terminating at the end of the last fiscal quarter preceding the date of such Restricted Payment (provided, however, that in the case of any deficit in Consolidated Net Income in any financial reporting period occurring either fully or partly within such period, 100% of the amount of such deficit shall be subtracted from the amount described in clause (i) above) plus (ii) the aggregate net cash proceeds received from the issuance or sale, after February 29, 1992, of capital stock of Guarantor, (provided, however, that for purposes of clause (ii), such net cash proceeds shall be considered only for a period of one calendar year commencing on the date such proceeds are received by Guarantor) plus (iii) \$10,000,000. Notwithstanding the foregoing, no Restricted Payment shall be made unless, after giving effect thereto, no event of default shall have occurred and be continuing. There shall not be included in the limitation upon Restricted Payments (a) any dividends paid by any Subsidiary of Guarantor to its corporate parent which is also a Subsidiary of Guarantor or (b) to Guarantor.

(d) Lien, Debt and Other Restrictions. Guarantor covenants that it will not, and will not permit any Subsidiary to:

(i) Liens. Create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, without equally and ratably securing the Obligations, except, without double-counting,

(a) Liens for Taxes not yet due and delinquent or which are being actively contested in good faith by appropriate proceedings, provided that the existence of such Liens does not affect Guarantor's or its Subsidiaries good and marketable title to or use or enjoyment of the property or assets burdened by such Liens,

(b) other Liens arising in the ordinary course of its business or the ownership of its property and assets (including easements and similar encumbrances) which were not incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property or assets, and which do not in the aggregate materially interfere with the operation of its business and will not cause a Material Adverse Effect,

(c) any Lien existing on any property of any corporation at the time it becomes a Subsidiary, provided that (a) any such Lien shall not encumber any other property of Guarantor or such Subsidiary, and (b) the aggregate amount of Debt secured by such Lien shall not at any time exceed 75% of the fair market value of such property,

(d) any Lien on any property acquired, constructed or improved by Guarantor or a Subsidiary after the date hereof and created contemporaneously with or within 12 months of such acquisition, completion of construction or improvement to secure Debt assumed or incurred to finance up to 75 % of the purchase price or cost of construction or improvement of such property, but such Lien shall cover only the property so acquired or constructed and any improvements thereto,

(e) Liens existing on the date hereof and disclosed to the Lessor in the most recent financial statements described in clause 6(g) hereof,

(f) Liens arising in connection with court proceedings, provided the execution of such Liens is effectively stayed and such Liens are contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP, and provided further that the existence of such Liens does not affect Guarantor's or its Subsidiaries' title to or use or enjoyment of the property or assets burdened by such Liens,

(g) any Lien described in clauses (c), (d) or (e) above resulting from renewing, extending or refunding outstanding Secured Debt provided that the principal amount of the Secured Debt secured thereby is not increased and the Lien is not extended to any other property, and

(h) any other Liens incurred in connection with the borrowing of money or any other Liens, provided that immediately thereafter the aggregate amount of Debt secured by Liens incurred pursuant to this clause (h) at any time does not at any time exceed five percent (5.0 %) of Consolidated Net Tangible Assets.

(ii) Funded Debt. Other than for the Guaranteed Debt by Pier 1 of

Sunbelt's Debt to (1) Standard Chartered Bank for a \$5,000,000 line of credit and (ii) Texas Commerce Bank, National Association for a \$5,000,000 line of credit (the "Sunbelt Debt Guarantee"), create, incur, assume or suffer to come into existence any additional Funded Debt unless after giving effect thereto (i) Senior Funded Debt is less than 50 % of Consolidated Net Tangible Assets and (ii) all Funded Debt in the aggregate is less than 60% of Consolidated Net Tangible Assets. With respect to Subsidiaries which are not Guarantors, create, incur, assume or suffer to come into existence any additional Funded Debt by such Subsidiaries unless after giving effect thereto all Funded Debt by such Subsidiaries in the aggregate is less than 70% of Consolidated Net Tangible Assets of such Subsidiaries; provided however, that as used in this paragraph 8(d)(ii), (A) prior to demand being made upon Pier 1 to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Senior Funded Debt) shall only include the Guaranteed Debt of Sunbelt to the extent the aggregate amount of such Guaranteed Debt of Sunbelt exceeds the sum of Sunbelt's cash and Cash Equivalents, and (B) from and after demand being made upon Pier 1 to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Senior Funded Debt) shall include such Guaranteed Debt of Sunbelt.

(iii) Short-Term Debt. Other than the Guaranteed Debt of Sunbelt's Debt pursuant to the Sunbelt Debt Guarantee, create, incur, assume or suffer to exist any Short-Term Debt, other than any Short-Term Debt which is incurred in the ordinary course of business, provided that there shall be a period of at least 45 consecutive days during each fiscal year in which such Short-Term Debt is paid down to an amount that would have been permitted under Section 8(d)(ii) were such Short-Term Debt to be treated as Funded Debt; provided however, that as used in this paragraph 8(d)(iii), (A) prior to demand being made upon Pier 1 to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Short-Term Debt) shall only include the Guaranteed Debt of Sunbelt to the extent the aggregate amount of such Guaranteed Debt of Sunbelt exceeds the sum of Sunbelt's cash and Cash Equivalents, and (B) from and after demand being made upon Pier 1 to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Short-Term Debt) shall include such Guaranteed Debt of Sunbelt.

(iv) Subsidiaries' Debt. Permit any Subsidiaries to create, incur, assume or suffer to exist any additional Debt unless after giving effect thereto, the aggregate amount of outstanding Debt of Pier 1's Subsidiaries is less than 10% of Consolidated Net Tangible Assets.

(v) Maintenance of Fixed Charge Coverage. Permit the ratio of Cash Flow Available for Fixed Charges to Fixed Charges, to be determined on the last day of each fiscal quarter for the preceding 12 months, to be less than (a) 1.3 to 1 for each of the fiscal quarters ending during the period from the date of this Guarantee through February 27, 1993, and (b) 1.4 to 1 for each fiscal quarter ending thereafter.

(vi) Limitation on Sale of Assets. Other than sales in the ordinary course of business, sell or otherwise dispose of in any fiscal year more than 10% of its Consolidated Tangible Assets or sell or otherwise dispose of any of its Consolidated Tangible Assets for less than fair market value.

(vii) Merger and Consolidation. Merge or consolidate, provided, however, that:

(a) Guarantor may merge or consolidate with or into any other corporation so long as (A) the successor corporation is a United States entity which expressly assumes the Obligations in writing or Guarantor shall be the continuing or surviving entity, (B) no Default or Event of Default shall have occurred after giving effect to such merger or consolidation, and (C) immediately after giving effect to such merger or consolidation Guarantor could have incurred an additional \$1.00 of Funded Debt pursuant to the provisions of Section 8(d)(ii) hereof; and

(b) any Subsidiary may merge or consolidate with or into any other corporation so long as, upon such merger or consolidation, (A) the successor corporation becomes a Subsidiary of Guarantor, (B) no Default or Event of Default shall have occurred after giving effect to such merger or consolidation, and (C) immediately after giving effect to such merger or consolidation such Subsidiary could have incurred an additional \$1.00 of Funded Debt pursuant to the provisions of Section 8(d)(ii) hereof; and

(c) any Subsidiary may merge or consolidate with or into Guarantor or any other Subsidiary so long as, in any such merger or consolidation involving Guarantor, Guarantor shall be the surviving or continuing corporation.

(e) Investments. Make or permit any of its Subsidiaries to make any Investment, except (i) purchases of a majority of the outstanding stock of any corporation, (ii) Investments in Pier 1, any of its Subsidiaries, or any Person that is wholly-owned by Pier 1 and/or its Subsidiaries, not to exceed in the aggregate \$25,000,000, (iii) Investments in Cash Equivalents or readily marketable securities having a quoted market value, (iv) Investments in Persons to the extent permitted by Section 8(c) hereof, (v) Investments in 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 Pier 1 or any of its Subsidiaries, which Investments under this subsection (v) shall not exceed \$75,000,000 in the aggregate, (vi) loans or advances to employees in the ordinary course of business that do not exceed \$5,000,000 in the aggregate, and (vii) Investments in Sunbelt capital stock or Investments which are loans made by Pier 1 to Sunbelt as a result of Pier 1's payment of the Guaranteed Debt permitted under Section 8(g) hereof or are intercompany advances, not exceeding \$1,000,000.00, made by Pier 1 to Sunbelt in the ordinary course of business, which advances are promptly repaid by Sunbelt.

(f) Change in Nature of Business. Make, or permit any of its Subsidiaries to make, any material change in the nature of its business as conducted on the date hereof.

(g) Guaranteed Debt. Create, assume or suffer to exist, or permit any of its Subsidiaries to create, assume or suffer to exist, any Guaranteed Debt except (i) Guaranteed Debt in existence on the date hereof, (ii) Guaranteed Debt that is secured by assets of the primary obligor having a fair market value at least equal to the amount of such Guaranteed Debt, as determined by an independent qualified appraiser selected by Pier 1 (which appraisal, at the Lessor's reasonable request and at Pier 1's expense, shall be promptly updated, but such request shall not be made more often than once every 12 months), and (iii) Guaranteed Debt by Pier 1 or a Subsidiary on the consolidated balance sheet of Pier 1 and its Subsidiaries; provided, however, that in no event shall the aggregate amount of all consolidated Guaranteed Debt (other than the Guaranteed Debt described in (iii) above) of Pier 1 and its Subsidiaries exceed the Consolidated Tangible Net Worth.

(h) Management and Control. Permit any material change in the management or control of Pier 1 or any of its Subsidiaries.

(i) Restrictive Agreement. Violate any provision of any Restrictive Agreement.

9. Payments. Each payment by Guarantor to Lessor under this Guarantee shall be made by transferring the amount thereof in immediately available U.S. funds, without set-off or counterclaim.

10. Costs and Expenses. Guarantor hereby agrees to pay all reasonable legal and other costs and expenses incurred by Lessor in seeking to protect or enforce any of Lessor's rights or remedies with respect to the Obligations and this Guarantee.

11. Subrogation. Guarantor shall not be subrogated, in whole or in part, to Lessor's rights or those of any subsequent assignee or transferee of any of the Obligations until all of the Obligations, including those with respect to the Additional Properties, to Lessor and every such subsequent assignee or transferee shall have been paid in full and all obligations and commitments of whatever kind or character of Lessee under the Lease Agreements, including those with respect to the Additional Properties, have been fully discharged and satisfied.

12. No Waiver, Amendment. No delay on Lessor's part in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Lessor of any right or remedy shall preclude the other or further exercise thereof or the exercise of any other right or remedy. No amendment or waiver of any provision of this Guarantee nor consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Lessor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

13. Parties; Successors and Assigns. This Guarantee shall inure to

the benefit of Lessor and Lessor's successors, assigns and transferees, and shall be binding upon Guarantor and its respective successors and assigns. Guarantor may not delegate any of its duties under this Guarantee without the prior written consent of Lessor or any Person to whom Lessor has assigned this Guarantee. Lessor may assign Lessor's rights and benefits under this Guarantee to any Person, including, without limitation, to any financial institution providing financing to Lessor. Upon any assignment by Lessor of this Guarantee, and upon any subsequent assignment or assignments by Lessor's assignee or future assignees, such assignee or future assignee shall succeed to all of the rights, benefits, remedies and privileges of this Guarantee and shall for all purposes hereof be deemed to be Lessor hereunder to the exclusion of the assigning Lessor. Guarantor agrees to make such disclosures and to take such action and execute such instruments as any such assignee or future assignee may reasonably require to more fully protect, preserve and assure to such assignee or future assignee all of the rights, benefits, remedies and privileges provided hereby. In the event that Lessor or any assignee hereof sells participations in any obligation secured by the Lease Agreements, each such other participant shall have rights, benefits, remedies and privileges to the same extent as are available to Lessor hereunder.

14. Acceleration Events.

(a) If any one or more of the following events shall occur:

(i) If an Event of Default shall occur under any Lease Agreement; or

(ii) If Guarantor shall fail to pay any part of the Obligations when due; or

(iii) If any representations or warranties made by Guarantor herein shall be false or misleading in any material respect on the date which made; or

(iv) The Guarantor shall default in the due performance or observance of any other material term or any covenant set forth in the Guarantee, provided, that the default by a Guarantor of a covenant contained in Section 7 or 8 of the Guarantee (other than a payment of Restricted Payment in violation of Section 8(c) or a breach of Sections 8(d)(vii) or 8(i) shall not constitute an Event of Default unless such default shall remain unremedied for a period of 30 days.

(v) Guarantor or any Subsidiary defaults in any payment of any other obligation pursuant to a guaranty or for money borrowed (or any capitalized lease obligation, any obligation under a conditional sale or other title retention agreement, any obligation issued or assumed as full or partial payment for property whether or not secured by a purchase money mortgage or any obligation under notes payable or drafts accepted representing extensions of credit) beyond any period of grace provided with respect thereto, or fails to perform or observe any other agreement, term or condition contained in any agreement under which any such obligation is created (or if any other event thereunder or under any such agreement shall occur and be continuing) and the effect of such failure or other event is to cause, or to permit the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause, such obligation to be due prior to any stated maturity, provided that the aggregate amount of all such obligations as to which such a default shall occur and be continuing or such a failure or other event causing or permitting acceleration shall occur and be continuing exceeds \$5,000,000; or

(vi) This Guarantee, the Lease Agreements, the Loan Agreement, or any provision hereof or thereof at any time after its execution and delivery shall for any reason cease to be valid and binding on the Guarantor or the Lessee, as the case may be, or in full force and effect, or shall be declared to be null and void, or the validity or enforceability of this Guarantee, or the Lease Agreements shall be contested, any party thereto shall deny that it has any or further liability or obligation thereunder; or

(vii) The Guarantor shall admit in writing its inability to pay its debts as they mature or shall declare a moratorium on the payment of its debts or apply for, consent to, or acquiesce in the appointment of a trustee or receiver for itself or any part of its property, or shall take any action to authorize or effect any of the foregoing; or in the absence of any such application, consent, or acquiescence, a trustee or receiver shall be appointed for it or for a substantial part of its property or revenues and shall not be discharged within a period of 90 days; or all, or any substantial part, of the property of the Company shall be condemned, seized,

or otherwise appropriated, or any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against the Company (or any action shall be taken to authorize or effect the institution by it of any of the foregoing) and if instituted against it, shall be consented to or acquiesced in by it, or shall not be dismissed within a period of 90 days; or

(viii) There shall be commenced against the Guarantor any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its assets which results in the entry of an order for relief which shall not have been vacated, discharged, stayed, or bonded pending appeal within 60 days from the entry thereof; or

(ix) If a Trigger Event shall occur;

then, a Default shall be deemed to exist hereunder and an Event of Default shall be deemed to exist under each of the Lease Agreements. In any such event, and in addition to all other rights and remedies at law and in equity available to Lessor as a result of such event, Guarantor shall immediately pay or cause to be paid to Lessor, without notice or demand, the amounts due and payable to Lessor by Lessee under each Lease Agreement, either in respect of the purchase of the Property covered thereby or as a Contingent Rent Payment. All such payments shall be made directly to Lender in accordance with the terms of the respective Lease Agreements and the assignments thereof to Lender, copies of which have been supplied to Guarantor simultaneously herewith. It is understood that any payments made by Guarantor to Lessor under this Guarantee shall not release or discharge Guarantor from its obligations hereunder until all of the Obligations have been fully and finally paid to Lessor. All amounts payable by Guarantor hereunder shall be credited against amounts otherwise payable by Lessee under the Lease Agreements for the remainder of their respective terms, provided that if any of the Lease Agreements have been terminated or if for any other reason sufficient credits cannot be given to Lessee, then such payments shall nevertheless be retained by Lessor hereunder and no further credits shall be given to Lessee.

(b) Any payment made by Guarantor under this Section 14 shall be deemed to be an agreed guarantee payment without regard to the status of any Lease Agreement or Lessee's rights thereunder; and in no event and under no circumstance shall any such payment be repayable or refundable to Guarantor for any reason or under any circumstance, and Guarantor agrees to look solely to Lessee under its limited right of subrogation for the recovery of any such sum.

(c) ALL AMOUNTS PAYABLE BY GUARANTOR UNDER THIS LEASE GUARANTEE ARE PAYABLE WITHOUT OFFSET, COUNTERCLAIM OR DEDUCTION OF WHATEVER KIND AND ARE NOT CONDITIONED UPON, AND CANNOT BE AFFECTED IN ANY WAY BY, ANY FUTURE EVENT, OCCURRENCE OR ACTION BY ANY PARTY, AND GUARANTOR UNDERSTANDS AND AGREES THAT ALL SUCH AMOUNTS SHALL BE PAYABLE NOTWITHSTANDING ANY FACT OR CIRCUMSTANCE (INCLUDING, WITHOUT LIMITATION, THE BANKRUPTCY OF OR A SIMILAR EVENT AFFECTING LESSEE) AT ANY TIME AFFECTING LESSEE OR ANY LEASE AGREEMENT, WHETHER CAUSED OR CONTRIBUTED TO BY LESSEE, LESSOR OR ANY OTHER PARTY.

15. Notices. Any notice required to be delivered hereunder shall be deemed delivered, whether actually received or not, forty-eight (48) hours after such notice is deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the parties hereto or Lender, as applicable, at the respective addresses specified below, or at such other address as they or the Lender may have subsequently specified by written notice. The addresses for notices to Guarantor, Lessor, and Lender are as follows:

If to Lessor: Pier Set, Inc.
245 Park Avenue
New York, New York 10167
Attention: James D. Price

with a copy to: Kelly, Hart, & Hallman
201 Main Street, Suite 2500
Fort Worth, Texas 76102
Attention: Mark L. Hart, Jr., Esq.

If to Guarantor: Pier 1 Imports, Inc.

301 Commerce Street, Suite 600
Fort Worth, Texas 76161-0020
Attention: Robert G. Herndon

CMEI, Inc.
301 Commerce Street, Suite 600
Fort Worth, Texas 76161-0020
Attention: Robert G. Herndon

with a copy to: Kelly, Hart, & Hallman
201 Main Street, Suite 2500
Fort Worth, Texas 76102
Attention: Mark L. Hart, Jr., Esq.

If to Lender: National Westminster Bank Plc
175 Water Street, 26th Floor
New York, NY 10038
Attention: Eric J. Fellows

with a copy to: National Westminster Bank Plc
Texas Commerce Tower, suite 6070
600 Travis Street
Houston, Texas 77002
Attn: Steven J. Krakoski

Notices sent by any other method (including facsimile transmission) shall be deemed delivered when actually received by the addressee. Any notice of change of address shall be effective only upon actual receipt, regardless of delivery method, and such new address shall be effective as to notices given by the other parties commencing ten (10) days after such change of address notice is received by such parties. No party may establish an official address for notice outside the continental United States.

16. Term. This Guarantee is not limited to any particular period of time but shall continue in full force and effect until all of the Obligations, including those with respect to the Additional Properties, have been fully and finally paid or have been otherwise discharged by Lessee, and Guarantor shall not be released from any obligations or liability hereunder until such full payment or discharge shall have occurred.

17. Subordination. All principal of and interest on all indebtedness, liabilities, and obligations of Lessee to Guarantor (the Subordinated Debt), whether direct, indirect, fixed, contingent, liquidated, unliquidated, joint, several, or joint and several, now or hereafter existing, due or to become due to Guarantor, or held or to be held by Guarantor, whether created directly or acquired by assignment or otherwise and whether evidenced by written instrument or not, shall be and is hereby expressly subordinated to the Obligations. Guarantor agrees not to receive or accept any payment from Lessee with respect to the Subordinated Debt if at such time either an Event of Default (as defined in the Lease Agreements) has occurred and is continuing or any of the Obligations are otherwise due and owing and unpaid; and in the event Guarantor receives any payment on the Subordinated Debt in violation of the foregoing, Guarantor will receive and hold any such payment in trust for Lessor and forthwith turn such payment over to Lessor, in the form received, to be applied to the Obligations.

18. GOVERNING LAW. THIS GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THIS GUARANTEE IS PERFORMABLE IN NEW YORK COUNTY, NEW YORK, AND GUARANTOR HEREBY WAIVES THE RIGHT TO BE SUED ELSEWHERE.

19. ENTIRE AGREEMENT. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

20. Waiver of Jury Trial. To the extent permitted by applicable law, and for the purpose of reducing the time and expense of litigation, Guarantor and Lessor waive trial by jury in any action brought on, under, or by virtue of this Guarantee.

21. Joint and Several Liability. The liability of Guarantor under this Guarantee shall be joint and several. A separate action may be brought and

prosecuted against Guarantor, whether or not action is brought against any other person or whether or not any other person is joined in such action or actions.

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

GUARANTOR:

PIER 1 IMPORTS, INC.,
a Delaware corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
Robert G. Herndon
Executive Vice President

CMEI, INC.,
a Georgia corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
Robert G. Herndon
Executive Vice President

LESSOR:

PIER SET, INC.,
a Delaware corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
James D. Price
President

ACCEPTED THIS 30th DAY OF
DECEMBER, 1992.

LENDER: _____

NATIONAL WESTMINSTER BANK Plc
New York Branch

By: _____
Name: Eric J. Fellows
Title: Vice President

NATIONAL WESTMINSTER BANK Plc
Nassau Branch

By: _____
Name: Eric J. Fellows
Title: Vice President

THIS SUPPLEMENT TO LEASE GUARANTEE is dated as of February 17, 1993 (this "Supplement"), is made by and between PIER 1 IMPORTS, INC., a Delaware corporation ("Pier 1"), CMEI, Inc., a Georgia Corporation ("CMEI") (individually and collectively, the "Guarantor"), and PIER SET, INC., a Delaware corporation ("Lessor") and supplements that certain Lease Guarantee (the "Guarantee") made and entered into as of the 30th day of December, 1992, by and between Pier 1, CMEI and Lessor. Terms used herein and not otherwise defined shall have the meaning given to them in the Guarantee.

W I T N E S S E T H:

A. Pier 1 Imports (U.S.), Inc. (the "Lessee"), a Delaware corporation, is an indirect wholly-owned subsidiary of Pier 1 and a direct, wholly owned Subsidiary of CMEI. Lessor and Lessee have entered, as of the date hereof, into supplements (the "Lease Supplements") to each of the Master Building Lease and the Master Ground Lease, which Lease Supplements add two Parcels and the Improvements thereon listed on Exhibit "A-14"- "A-15" of each of the Supplements to the Lease Agreements and hereto, as provided for therein.

B. Pursuant to and subject to the terms of a supplement to the Loan Agreement, as amended, (the "Loan Supplement") and the Loan Agreement, Lender has advanced or agreed to advance the additional sum of \$905,901 to Lessor pursuant to the Land Loan by \$905,601 and has advanced or agreed to advance the additional sum of \$1,633,573 to Lessor pursuant to the Building Loan.

C. In consideration of the execution and delivery of the Lease Supplements by Lessor to Lessee, and in recognition that the favorable financing terms offered to Lessor by Lender have been passed through to Lessee through the rental terms of the Lease Agreements, all of which are contingent upon the delivery of this Supplement by Guarantor; and in recognition that (i) as the indirect parent of Lessee, Pier 1; and (ii) as the direct parent of Lessee, CMEI: will receive direct and material benefits from the delivery of the Lease Supplements and the Loan Supplement and the consummation of the transactions contemplated thereby, Guarantor desires to deliver this Supplement to Lessor.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, Lessor and Guarantor hereby agree as follows:

A. The Leases shall for all purposes under the Guarantee include the Leases as Supplemented by the Lease Supplements, and each provision of the Guarantee, as supplemented by this Supplement, shall be applicable to such Leases. As supplemented hereby, each provision of the Guarantee shall be and remains in full force and effect; and

B. this Supplement may be executed by the parties hereto in multiple counterparts and each counterpart, when so executed, shall be deemed an original, but all of which shall be considered as one agreement. Further, in making proof of this Supplement, it shall not be necessary to produce or account for more than one such counterpart.

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

GUARANTOR:

PIER 1 IMPORTS, INC.,
a Delaware corporation

Attest:

Michael A. Carter
Assistant Secretary

By: _____
Name: _____
Title: _____

[SEAL]

CMEI, INC.,
a Georgia corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
Name: _____
Executive Vice President

LESSOR:

PIER SET, INC.,
a Delaware corporation

Attest:

Name: _____
Title: _____

By: _____
James D. Price
President

[SEAL]

ACCEPTED AS OF THE 17TH DAY OF
FEBRUARY, 1993.

LENDER:

NATIONAL WESTMINSTER BANK Plc
New York Branch

By: _____
Name: Eric J. Fellows
Title: Vice President

NATIONAL WESTMINSTER BANK Plc
Nassau Branch

By: _____
Name: Eric J. Fellows
Title: Vice President

FIRST AMENDMENT TO LEASE GUARANTEE

THIS FIRST AMENDMENT (herein so called) is entered into as of April 15, 1993, among PIER 1 IMPORTS, INC., a Delaware corporation ("Pier 1"), CMEI, INC., a Georgia corporation ("CMEI"), (Pier 1 and CMEI individually and collectively called the "Guarantor") and PIER SET, INC., a Delaware corporation ("Lessor").

A. Guarantor and Lessor entered into a Lease Guarantee dated as of December 30, 1992 (the "Guarantee").

B. Guarantor has advised Lessor that Guarantor is planning to sell (the "Sale") all of its stock in Sunbelt Nursery Group, Inc. ("Sunbelt") to a wholly owned subsidiary of General Host Corporation, a New York corporation ("General Host"), in exchange for 1,940,000 shares of the common stock of General Host.

C. Guarantor and Lessor, in order to provide for the accomplishment of the above-described transaction, desire to amend the Guarantee in certain respects as more fully set forth below.

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

1. Unless otherwise specified herein, terms defined in the Guarantee have the same meaning when used herein and all section references herein refer to sections in the Guarantee.

2. Subsection (viii) of the definition of "Restricted Investments" in Section 3 of the Guarantee is hereby amended to read in its entirety as follows:

(viii) not more than 1,940,000 shares of the common stock of General Host Corporation, a New York corporation, plus any additional shares 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,

3. Subsection (ix) of the definition of "Restricted Investments" in Section 3 of the Guarantee is hereby amended to read in its entirety as follows:

(ix) any loans or guaranties made by Pier 1 or any of its subsidiaries to or for the benefit of Sunbelt or any of its Subsidiaries not exceeding an aggregate principal amount of \$12,000,000 at any one time outstanding, provided that the maturity of any such loan or any indebtedness so guaranteed shall be no later than April 30, 1994, and provided further, that any remedies of Pier 1 or its Subsidiaries with respect thereto shall be diligently exercised,

4. New subsections (x) and (xi) of the definition of "Restricted Investments" in Section 3 of the Guarantee are hereby added to read in their entirety as follows:

(x) any loans or guaranties made by Pier 1 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 \$6,500,000 at any one time outstanding, and (xi) any stock or securities of Sunbelt which Pier 1 or any of its Subsidiaries acquires through the exercise of its remedies with respect to any lien or security interest held by Pier 1 or any of its Subsidiaries on such stock or securities.

5. Section 8(d) (ii) of the Guarantee is hereby amended by deleting the phrase "Other than for the Guaranteed Debt by Pier 1 of Sunbelt's Debt to (i) Standard Chartered Bank for a line of credit in the amount of \$5,000,000, and (ii) Texas Commerce Bank, National Association for a line of credit in the amount of \$5,000,000 (the "Sunbelt Debt Guarantee")," appearing at the beginning of said Section 8(d) (ii) and substituting the following in its place:

Other than for any Guaranteed Debt by Pier 1 or any of its Subsidiaries described in subsection (ix) of the definition of "Restricted Investments" in Section 3 hereof (the "Sunbelt Debt Guarantee"),

6. Section 8(e) of the Guarantee is hereby amended by deleting subsection (vii) in its entirety and (C) adding new subsections (vii), (viii) and (ix) to read in their entirety as follows:

(vii) any loans or guaranties made by Pier 1 or any of its Subsidiaries to or for the benefit of Sunbelt or any of its Subsidiaries not exceeding an aggregate principal amount of \$12,000,000 at any one time outstanding, provided that the maturity of any such loan or any indebtedness so guaranteed shall be no later than April 30, 1994, and provided further, that any remedies of Pier 1 or its Subsidiaries with respect thereto shall be diligently exercised, (viii) any loan or guaranties made by Pier 1 or any of its Subsidiaries to or for the benefit of Pier Retail Group Limited not exceeding an aggregate principal amount of \$6,500,000 at any one time outstanding, (ix) any stock or securities of Sunbelt which Pier 1 or any of its Subsidiaries acquires through foreclosure of any lien or security interest held by Pier 1 or any of its Subsidiaries on such stock or securities, and

7. Section 8(g) of the Guarantee is hereby amended by deleting the word "and" before subsection (iv) of said Section 8(g) and adding new subsections (v) and (vi) to read in their entirety as follows:

, (v) the Sunbelt Debt Guarantee, and (vi) any Guaranteed Debt by Pier 1 or any of its Subsidiaries described in subsection (x) of the definition

of "Restricted Investment" in Section 3 hereof

, and (vi) any Guaranteed Debt by Pier 1 or any of its Subsidiaries described in subsection (xi) of the definition of "Restricted Investment" in Section 3 hereof.

8. This First 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. The effectiveness of this First Amendment is subject to the conditions precedent that (x) the Sale has been concluded and (y) the Lessor shall have received Officers' Certificates, dated the date hereof, certifying inter alia:

(i) a true and correct copy of resolutions adopted by the Board of Directors or Executive Committees of Guarantor;

(ii) the incumbency and specimen signatures of the Persons executing any documents on behalf of Guarantor;

(iii) the truth as of the date first written above of the representations and warranties made by Guarantor in the Guarantee, as amended hereby; and

(iv) the absence of the occurrence and continuance of any Default or Event of Default after giving effect to this First Amendment.

10. Except as amended by this First Amendment, the Guarantee is in full force and effect.

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

PIER 1 IMPORTS, INC.,
a Delaware corporation

By: _____
Robert G. Herndon,
Executive Vice President

CMEI, INC.,
a Georgia corporation

By: _____
Robert G. Herndon,
Executive Vice President

PIER SET, INC.,
a Delaware corporation

By: _____
James D. Price, President

AGREED TO AND ACCEPTED BY:

NATIONAL WESTMINSTER BANK Plc,
a bank registered in England

By: _____
Name: _____

Title: _____

SUPPLEMENT AND AMENDMENT TO LEASE GUARANTEE

THIS SUPPLEMENT AND AMENDMENT TO LEASE GUARANTEE is dated as of August 31, 1993 (this "Supplement"), is made by and between PIER 1 IMPORTS, INC., a Delaware corporation ("Pier 1"), Pier 1 Assets, Inc., a Delaware corporation ("Assets"), Pier 1 Licensing, Inc. ("Licensing"), a Delaware Corporation and successor by merger to CMEI, Inc., a Georgia Corporation ("CMEI") (individually and collectively, the "Guarantor"), and PIER SET, INC., a Delaware corporation ("Lessor") and supplements and amends that certain Lease Guarantee (the "Guarantee") made and entered into as of the 30th day of December, 1992, by and between Pier 1, CMEI and Lessor. Terms used herein and not otherwise defined shall have the meaning given to them in the Guarantee.

W I T N E S S E T H:

A. Pier 1 Imports (U.S.), Inc. (the "Lessee"), a Delaware corporation, is an indirect wholly-owned subsidiary of Pier 1 and a direct, wholly owned Subsidiary of CMEI. Lessor and Lessee have entered, as of the date hereof, into supplements (the "Lease Supplements") to each of the Master Building Lease and the Master Ground Lease, which Lease Supplements add two Parcels and the Improvements thereon listed on Exhibit "A-16"- "A-18" of each of the Supplements to the Lease Agreements and hereto, as provided for therein.

B. Pursuant to and subject to the terms of a supplement to the Loan Agreement, as amended, (the "Loan Supplement") and the Loan Agreement, Lender has advanced or agreed to advance the additional sum of \$ 1,519,464.88 to Lessor pursuant to the Land Loan and has advanced or agreed to advance the additional sum of \$2,055,636.12 to Lessor pursuant to the Building Loan.

C. In consideration of the execution and delivery of the Lease Supplements by Lessor to Lessee, and in recognition that the favorable financing terms offered to Lessor by Lender have been passed through to Lessee through the rental terms of the Lease Agreements, all of which are contingent upon the delivery of this Supplement by Guarantor; and in recognition that (i) as the indirect parent of Lessee, Pier 1; and (ii) as the direct parent of Lessee, CMEI: will receive direct and material benefits from the delivery of the Lease Supplements and the Loan Supplement and the consummation of the transactions contemplated thereby, Guarantor desires to deliver this Supplement to Lessor.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, Lessor and Guarantor hereby agree as follows:

A. The Leases shall for all purposes under the Guarantee include the Leases as Supplemented by the Lease Supplements, and each provision of the Guarantee, as supplemented by this Supplement, shall be applicable to such Leases. As supplemented hereby, each provision of the Guarantee shall be and remains in full force and effect;

B. Licensing and Assets shall be Guarantors for all purposes under the Guarantee as supplemented and amended; and

B. this Supplement may be executed by the parties hereto in multiple counterparts and each counterpart, when so executed, shall be deemed an original, but all of which shall be considered as one agreement. Further, in making proof of this Supplement, it shall not be necessary to produce or account for more than one such counterpart.

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

GUARANTOR:

PIER 1 IMPORTS, INC.,
a Delaware corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
Robert G. Herndon
Executive Vice President

PIER 1 ASSETS, INC.,
a Delaware corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
Robert G. Herndon
Executive Vice President

PIER 1 LICENSING, INC.,
a Delaware Corporation and
successor by merger to
CMEI, INC., a Georgia corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
Robert G. Herndon
Executive Vice President

LESSOR:

PIER SET, INC.,
a Delaware corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
George R. Mihalko
Vice President

ACCEPTED AS OF THE 31ST DAY
OF AUGUST, 1993.

LENDER:

NATIONAL WESTMINSTER BANK Plc
New York Branch

By: _____
Eric J. Fellows
Vice President

NATIONAL WESTMINSTER BANK Plc
Nassau Branch

By: _____
Eric J. Fellows
Vice President

SECOND AMENDMENT TO LEASE GUARANTEE

This Second Amendment to Lease Guarantee (hereinafter referred to as "this

Amendment") is entered into as of the 25th day of February, 1994, among PIER 1 IMPORTS, INC., a Delaware corporation, and PIER 1 LICENSING, INC., a Delaware corporation and successor by merger to CMEI, Inc. (Pier 1 Imports, Inc., and Pier 1 Licensing, Inc. are hereinafter collectively referred to as the "Guarantors" and individually referred to as a "Guarantor") and PIER SET, INC., a Delaware corporation ("Lessor").

WHEREAS, Guarantors and Lessor previously entered into a Lease Guarantee (the "Lease Guarantee") dated December 30, 1992, as heretofore supplemented and/or amended, whereby the Guarantors guaranteed the full payment and performance of a master ground lease and master building lease entered into by Pier 1 Imports (U.S.), Inc., a Delaware corporation;

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

(v) Maintenance of Fixed Charge Coverage. Permit the ratio of Cash Flow Available for Fixed Charges to Fixed Charges, to be determined on the last day of each fiscal quarter for the preceding 12 months, to be less than (a) 1.3 to 1 for each of the fiscal quarters ending during the period from the date of this Guaranty through February 27, 1993, (b) 1.4 to 1 for each of the fiscal quarters ending during the period from February 28, 1993, through February 25, 1994, (c) 1.2 to 1 for each of the fiscal quarters ending during the period from February 26, 1994, to the fiscal quarter ending in November, 1994, and (d) 1.25 to 1 for each fiscal quarter ending thereafter.

2. Except as herein specifically amended and modified the Lease Guarantee is unchanged and continues in full force and effect.

3. Each Guarantor hereby consents and agrees to this Amendment and each Guarantor hereby confirms and ratifies the Lease Guarantee's existence 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.

4. This 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.

5. The Lease Guarantee, this Amendment, and all other amendments and/or supplements, constitute a "Loan Agreement" as defined in Section 26.02(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 First Amendment to be executed by their respective offices thereunto duly authorized, as of the date first written above.

GUARANTORS:

PIER 1 IMPORTS, INC.

By: _____
Robert G. Herndon,
Executive Vice President

PIER 1 LICENSING, INC.

By: _____
Robert G. Herndon,
Executive Vice President

LESSOR:

PIER SET, INC.

By: _____
James D. Price, President

SUPPLEMENT TO LEASE GUARANTEE

THIS SUPPLEMENT TO LEASE GUARANTEE is dated as of March 23, 1994 (this "Supplement"), is made by and between PIER 1 IMPORTS, INC., a Delaware corporation ("Pier 1"), Pier 1 Assets, Inc., a Delaware corporation ("Assets"), Pier 1 Licensing, Inc. ("Licensing"), a Delaware Corporation and successor by merger to CMEI, Inc., a Georgia Corporation ("CMEI") (individually and collectively, the "Guarantor"), and PIER SET, INC., a Delaware corporation ("Lessor") and supplements that certain Lease Guarantee (the "Guarantee") made and entered into as of the 30th day of December, 1992, by and between Pier 1, CMEI and Lessor as heretofore supplemented and amended. Terms used herein and not otherwise defined shall have the meaning given to them in the Guarantee.

W I T N E S S E T H:

A. Pier 1 Imports (U.S.), Inc. (the "Lessee"), a Delaware corporation, is an indirect wholly-owned subsidiary of Pier 1 and a direct, wholly owned subsidiary of Licensing. Lessor and Lessee have entered, as of the date hereof, into supplements (the "Lease Supplements") to each of the Master Building Lease and the Master Ground Lease, which Lease Supplements add two Parcels and the Improvements thereon listed on Exhibit "A-19"- "A-20" of each of the Supplements to the Lease Agreements and hereto, as provided for therein.

B. Pursuant to and subject to the terms of a supplement to the Loan Agreement, as amended, (the "Loan Supplement") and the Loan Agreement, Lender has advanced or agreed to advance the additional sum of \$641,272.69 to Lessor pursuant to the Land Loan and has advanced or agreed to advance the additional sum of \$1,321,771.06 to Lessor pursuant to the Building Loan.

C. In consideration of the execution and delivery of the Lease Supplements by Lessor to Lessee, and in recognition that the favorable financing terms offered to Lessor by Lender have been passed through to Lessee through the rental terms of the Lease Agreements, all of which are contingent upon the delivery of this Supplement by Guarantor; and in recognition that (i) as the indirect parent of Lessee, Pier 1; and (ii) as the direct parent of Lessee, Licensing: will receive direct and material benefits from the delivery of the Lease Supplements and the Loan Supplement and the consummation of the transactions contemplated thereby, Guarantor desires to deliver this Supplement to Lessor.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, Lessor and Guarantor hereby agree as follows:

A. The Leases shall for all purposes under the Guarantee include the Leases as Supplemented by the Lease Supplements, and each provision of the Guarantee, as supplemented by this Supplement, shall be applicable to such Leases. As supplemented hereby, each provision of the Guarantee shall be and remains in full force and effect;

B. this Supplement may be executed by the parties hereto in multiple counterparts and each counterpart, when so executed, shall be deemed an original, but all of which shall be considered as one agreement. Further, in making proof of this Supplement, it shall not be necessary to produce or account for more than one such counterpart.

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

GUARANTOR:

PIER 1 IMPORTS, INC.,
a Delaware corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
J. Rodney Lawrence
Senior Vice President

PIER 1 ASSETS, INC.,
a Delaware corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
J. Rodney Lawrence
Senior Vice President

PIER 1 LICENSING, INC.,
a Delaware Corporation and
successor by merger to
CMEI, INC., a Georgia corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
J. Rodney Lawrence
Senior Vice President

LESSOR:

PIER SET, INC.,
a Delaware corporation

Attest:

Michael A. Carter
Assistant Secretary

[SEAL]

By: _____
James D. Price
President

ACCEPTED AS OF THE 23RD DAY
OF MARCH, 1994.

LENDER:

NATIONAL WESTMINSTER BANK Plc
New York Branch

By: _____
Eric J. Fellows
Vice President

NATIONAL WESTMINSTER BANK Plc

Nassau Branch

By: _____
Eric J. Fellows
Vice President

Third Amendment to Lease Guarantee

This Third Amendment to Lease Guarantee ("Amendment") is hereby made, as of the date hereof, to that certain Lease Guarantee (the "Lease Guarantee"), dated as of December 30, 1992, as heretofore supplemented, by and between PIER 1 IMPORTS, INC., a Delaware Corporation ("Pier 1"), CMEI, Inc., a Georgia Corporation ("CMEI"), and PIER SET, INC., a Delaware corporation ("Lessor"). Terms used herein and not otherwise defined shall have the meaning given to them in the Lease Guarantee.

The parties hereto agree that from and after the date hereof, Pier 1 Assets, Inc., a Delaware corporation ("Assets"), shall be a party to the Lease Guarantee, and that each reference to the "Guarantor" therein shall include Assets; that each reference in the Lease Guarantee to CMEI shall mean Pier 1 Licensing, Inc., a Delaware corporation and successor by merger to CMEI, Inc., a Georgia corporation ("Licensing"); and that each reference to the indirect parent or owner of Lessee shall also mean and include Assets.

The parties hereto further agree that the Lease Guarantee shall be amended by amending and restating the definition of "Intangible Assets" in its entirety as follows:

"Intangible Assets" shall mean goodwill, patents, trade names, trademarks, copyrights, franchises, experimental expense, organization expense, unamortized debt issue cost, the excess of cost of shares acquired over book value of related assets and such other assets as are properly classified as intangible assets in accordance with GAAP, but in no event shall Intangible Assets include (i) current prepaid expenses of Pier 1 or its Subsidiaries or (ii) receivables of any kind of Pier 1 or its Subsidiaries."

The parties hereto further agree that the definition of "Master Building Lease" and "Master Ground Lease" in the Lease Agreement shall also mean and include any renewal, extension and restatement of, and amendment or modification to, the same.

The parties hereto further agree that Section 5 of the Lease Guarantee shall be and is amended with respect to the address for notices to Guarantor by adding below the address for Licensing the following:

"and

Pier 1 Assets, Inc.
% Pier 1 Imports, Inc.
301 Commerce Street, Suite 600
Fort Worth, Texas 76161-0020
Attention: Chief Financial Officer"

As amended hereby, the Lease Guarantee remains in full force and effect in all respects.

This Amendment may be executed by the parties hereto in multiple counterparts and each counterpart, when so executed, shall be deemed an original, but all of which shall be considered as one agreement. Further, in making proof hereof, it shall not be necessary to produce or account for more than one such counterpart.

Dated to be effective as of the 28th day of February, 1994.

PIER SET, INC., a Delaware corporation

ATTEST:

Name: _____
Title: _____

By: _____
James D. Price
Title: President

[SEAL]

ATTEST:

PIER 1 IMPORTS, INC., a Delaware corporation

Name: _____
Title: _____

By: _____
Name: _____
Title: _____

[SEAL]

ATTEST:

PIER 1 LICENSING, INC., a Delaware corporation

Name: _____
Title: _____

By: _____
Name: _____
Title: _____

[SEAL]

ATTEST:

PIER 1 ASSETS, INC., a Delaware corporation

Name: _____
Title: _____

By: _____
Name: _____
Title: _____

[SEAL]

EXHIBIT 10.13

LEASE GUARANTEE

THIS LEASE GUARANTEE is made and entered into this 30th day of December 1992 between PIER 1 IMPORTS, INC., a Delaware corporation (the "Guarantor"), and PIER GROUP, INC., a Delaware corporation ("Lessor").

WHEREAS, Lessor has entered into and will continue to enter into lease agreements (collectively, the "Lease Agreements," whether now or hereafter in effect), from time to time with Pier 1 Imports (U.S.), Inc., a Delaware corporation and wholly-owned subsidiary of Guarantor, and with Wolfe Nursery, Inc., a Delaware corporation and an affiliate of Guarantor, (hereinafter referred to as the "Lessee"); and

WHEREAS, the Lease Agreements have been and will be entered into by Lessor and Lessee with respect to land and improvements which have been and are to be financed or refinance pursuant to the terms of a certain Restated Revolving Credit Agreement dated December 30, 1992 (the "Credit Agreement") among Lessor, the Banks (as defined herein) and First Interstate Bank of Texas, N.A., as agent; and

WHEREAS, in consideration of Lessor entering into Lease Agreements from time to time with Lessee, Guarantor has agreed to guarantee the full payment and performance when due of all rent, indebtedness, and obligations now or hereafter existing or owing to Lessor by any Lessee pursuant to the Lease Agreements.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, Lessor and Lessee hereby agree as follows

1. Guarantee. For value received, and in consideration of Lessor entering into Lease Agreements from time to time (whether now or hereafter in effect) with Lessee, Guarantor does hereby unconditionally guarantee the full payment and performance when due, whether at the stated due date, by acceleration or otherwise, of any and all rent, indebtedness, obligations and other amounts of every kind, howsoever created, arising, or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing or owing to Lessor by any Lessee pursuant to the Lease Agreements (all such indebtedness and obligations being hereinafter collectively called the "Obligations"). Guarantor hereby agrees that upon any default by the Lessee in the payment or performance of any of the Obligations when and as due, the Guarantor will forthwith pay and/or perform the same immediately upon demand and without notice.

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 or the rejection of the Lease Agreements in bankruptcy, 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.

3. Definitions. Unless otherwise indicated, capitalized terms used herein and not defined below shall have the respective meanings given to them in the Lease Agreements. In addition to the definitions provided in the

Lease Agreements, the following words and terms shall have the meanings indicated below:

"Affiliate" of any designated Person means any Person that has a relationship with the designated Person whereby either of such Persons directly or indirectly controls or is controlled by or is under common control with the other, or holds or beneficially owns five percent (5%) or more of any class of voting securities of the other. For this purpose, "control" means the power, direct or indirect, of one Person to direct or cause direction of the management and policies of another, whether by contract, through voting securities or otherwise. Notwithstanding the foregoing, no Person shall be deemed to be an Affiliate of another solely by reason of such Person's being a participant in a joint operating group or joint undivided ownership group.

"Agent" shall mean First Interstate Bank of Texas, N.A., a national banking association, or any successor agent under the Credit Agreement.

"Banks" shall mean First Interstate Bank of Texas, N.A. and the other banks named in Section 2.01 of the Credit Agreement, as such Credit Agreement may be amended, modified or supplemented from time to time. "Bank" shall mean any of such Banks.

"Capitalized Lease Obligations" shall mean any rental obligation which, under GAAP, is or will be required to be capitalized on the books of the Guarantor or any Subsidiary, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with such principles.

"Cash Equivalents" shall mean any investments permitted under (i), (ii), (iii), or (iv) of the definition of Restricted Investments and cash.

"Cash Flow Available for Fixed Charges" shall mean the sum of Consolidated Net Income plus depreciation and amortization plus interest expense plus taxes plus operating lease expense, as determined in accordance with GAAP, less Maintenance Capital Expenditures for the Guarantor on a Consolidated basis.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Consolidated" shall mean the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person's Consolidated financial statements, financial position, financial condition, liabilities, etc., refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

"Consolidated Current Assets" shall mean the current assets of the Guarantor and its Subsidiaries as determined on a Consolidated basis in accordance with GAAP.

"Consolidated Current Liabilities" shall mean the current liabilities of the Guarantor and its Subsidiaries as determined on a Consolidated basis in accordance with GAAP.

"Consolidated Funded Debt" shall mean Funded Debt of the Guarantor and its Subsidiaries.

"Consolidated Net Income" shall mean (i) for purposes of calculating Cash Flow Available for Fixed Charges, Consolidated gross revenues of the Guarantor less all operating and non-operating expenses of the Guarantor, including all write-downs of assets and other charges of a proper character (including, without limitation, current and deferred taxes on income, provision for taxes on unremitted foreign earnings which are included in gross revenues, and current additions to reserves), but not including in gross revenues any gains (net of expenses and taxes applicable thereto) in excess of losses resulting from the sale, conversion or other disposition of capital assets (i.e., assets other than current assets), any gains or losses arising from the acquisition of outstanding debt securities of the Guarantor or any Subsidiary, any gains resulting from the write-up of assets, any equity of the Guarantor or any Subsidiary in the undistributed earnings of any Person which is not a Subsidiary, or any portion of the net income of any Subsidiary which for any reason is unavailable for payment of dividends to the Guarantor or to another Subsidiary, or any earnings of any Person acquired by the Guarantor or any Subsidiary through purchase, merger, consolidation or otherwise for any year prior to the year of acquisition,

merger or consolidation, or any deferred credits representing the excess of any equity in any Subsidiary at the date of acquisition over the cost of investment in such Subsidiary, all determined in accordance with GAAP, and (ii) for all other purposes, net income of the Guarantor and its Subsidiaries as determined on a Consolidated basis in accordance with GAAP.

"Consolidated Net Tangible Assets" shall mean all of the assets of the Guarantor and its Subsidiaries less Intangible Assets, Consolidated Current Liabilities, long term liabilities (other than Funded Debt and Capitalized Lease Obligations) and all deferrals of the Guarantor and its Subsidiaries.

"Consolidated Tangible Assets" shall mean all of the assets of Guarantor and its Subsidiaries less Intangible Assets.

"Consolidated Tangible Net Worth" shall mean the sum of consolidated capital, surplus, and retained earnings of the Guarantor less Intangible Assets of the Guarantor, determined in accordance with GAAP.

"Credit Agreement" shall mean that certain Restated Revolving Credit Agreement of even date herewith between Pier Group, Inc., Agent and the Banks.

"Debt" shall mean with respect to any Person, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) all obligations under leases which shall have been or should be, in accordance with GAAP, recorded as Capitalized Lease Obligations in respect of which such Person is liable as lessee, and (iii) any other indebtedness required to be recorded on the Consolidated financial statements of such Person in accordance with GAAP. Any changes in GAAP requiring operating leases to be included as indebtedness in the Consolidated financial statements of the Guarantor will be effective, for purposes of determining Debt hereunder, only for leases entered into or renewed after the date of the required implementation of such changes in GAAP.

"Default" means the occurrence of any event which, with the lapse of time, notice or otherwise, would constitute an event specified under Section 14(a) of this Guarantee or (ii) constitute a default or an event of default under any instrument securing or evidencing any Debt of the Guarantor or any of its Subsidiaries.

"Environmental Laws" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. Section 1801 et seq.), the Recourse Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), and the Occupational Safety and Health Act (29 U.S.C. Section 651 et seq.), as such laws have been or hereafter may be amended or supplemented, and any and all analogous future federal, or present and future state or local laws, and similar laws of jurisdictions other than the United States, to which Guarantor or any of its Subsidiaries or any of its or their properties are subject.

"ERISA" shall have the meaning given in Section 6(h) hereof.

"FDIC" shall mean the Federal Deposit Insurance Corporation (or any successor).

"Fixed Charges" means the sum of payments under operating leases and interest during the preceding 12-month period, as determined in accordance with GAAP, for the Guarantor and its Subsidiaries on a Consolidated basis.

"Funded Debt" shall mean, for Guarantor on a Consolidated basis, Debt (including Guaranteed Debt and current maturities of "Funded Debt," as defined herein) which (i) matures more than one (1) year from the date of its determination or matures within one year from such date but is renewable or extendable, at the option of the debtor, to a date more than one year from such date, or (ii) arises under a revolving credit or similar agreement which obligates the lender or lenders to extend credit during a period of more than one year from such date; provided, however, that merchandise letters of credit and bankers acceptances and similar credit instruments shall not be deemed to be "Funded Debt" unless they have a stated maturity of more than one (1) year, notwithstanding that the debtor may have the option to renew or extend such maturity.

"GAAP" shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Account Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to circumstances as of the date of determination.

"Guarantee" shall mean this Lease Guarantee and all amendments, modification, substitutions, and ratifications hereto.

"Guaranteed Debt" shall mean, with respect to any Person, without duplication, all Debt of another Person referred to in clause (i), (ii) or (iii) of the definition of "Debt" guaranteed directly or indirectly in any manner by such Person or in effect guaranteed directly or indirectly in any manner by such Person.

"Guarantor" shall mean Pier 1 Imports, Inc., a Delaware corporation.

"Intangible Assets" shall mean goodwill, patents, trade names, trademarks, copyrights, franchises, experimental expense, organizational expense, unamortized debt discount and expense, the excess of cost of shares acquired over book value of related assets and such other assets as are properly classified as "intangible assets" in accordance with GAAP, but in no event shall Intangible Assets include (i) current prepaid expenses of the Guarantor or its Subsidiaries or (ii) receivables of any kind of the Guarantor or its Subsidiaries.

"Interest Expense" of a Person means interest payable on Indebtedness for each fiscal quarter.

"Investment" shall mean any direct or indirect purchase or other acquisition of, or a beneficial interest in, capital stock or other securities of any other Person, or any direct or indirect loan, advance (other than advances to employees for moving and travel expenses, drawing accounts and similar expenditures in the ordinary course of business) or capital contribution to or investment in any other Person, including without limitation the incurrence or sufferance of Debt or accounts receivable of any other Person which are not current assets or do not arise from sales to that other Person in the ordinary course of business.

"Investment Securities" shall mean (i) U.S. government obligations, (ii) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any agency or instrumentality of the United States of America acting pursuant to authority granted by the Congress of the United States of America, (iii) Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances (in each case, having maturities not in excess of one year) of any bank the short-term unsecured debt obligations of which are rated by Standard & Poors Corporation in the highest category for short-term obligations, and (iv) certificates of deposit and time deposits which are fully insured as to principal and interest by the Federal Deposit Insurance Corporation.

"Law" shall mean all statutes, laws, ordinances, rules, regulations, orders, writs, injunctions or decrees of any Tribunal.

"Lease Agreements" shall have the meaning given in Section 1 hereof.

"Lessee" shall have the meaning given in Section 1 hereof.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, including without limitation, any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement or other similar form of public notice under the Laws of any jurisdiction.

"Maintenance Capital Expenditures" shall mean, for any fiscal quarter, an amount equal to the greater of (i) the product of four thousand five hundred (\$4,500.00) times the average number of retail stores of the Guarantor on a Consolidated basis open during the four immediately preceding fiscal quarters or (ii) actual capital expenditures incurred by the Guarantor on a Consolidated basis during such fiscal quarter for the maintenance and improvement of its retail stores (other than capital expenditures incurred in connection with new store openings).

"Material Adverse Effect" shall mean any act, circumstance, or event that (i) causes or reasonably could be expected to cause a Default under this Guarantee or an Event of Default under the Credit Agreement, or (ii) is or might be material and adverse to the financial condition or business operations of the Guarantor and its Subsidiaries on a consolidated basis.

"Obligations" shall have the meaning given in Section 1 hereof.

"Officer's Certificate" shall mean a certificate signed in the name of Guarantor by its Chief Executive Officer, President, one of its Executive Vice Presidents, its Chief Financial Officer, or its Comptroller.

"Operating Cash Flow" of a Person means the Consolidated Net Income from continuing operations of such Person, determined in accordance with GAAP, for the four fiscal quarters immediately preceding the date of determination, prior to the payment or provision for payment of state and federal taxes, plus (i) depreciation, (ii) amortization, and (iii) interest payable on Indebtedness for the four fiscal quarters immediately preceding the date of determination.

"Operating Lease Expense" shall mean all rental expenses of the Guarantor relating to real estate, but specifically excluding any rental expense of the Guarantor relating to equipment.

"PBGC" shall have the meaning given in Section 6(i) hereof.

"Person" shall mean an individual, partnership, joint venture, corporation, trust, Tribunal, unincorporated organization or government or any department, agency or political subdivision thereof.

"Plan" shall have the meaning given in Section 6(i) hereof.

"Restricted Investments" shall mean any investments in or loans and advances to, other 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) obligations or securities of a Subsidiary or a corporation which immediately after such purchase or acquisition will be a Subsidiary, (vi) stock or securities received in settlement of debts owing to the Guarantor or any Subsidiary not exceeding \$5,000,000.00, including receivables arising from the sale of goods and services in the ordinary course of business of the Guarantor and its Subsidiaries, (vii) travel or like advances to officers and/or employees in the ordinary course of business and loans to officers and/or employees made on or before May 24, 1991 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 all such travel or like advances and loans not exceeding \$10,000,000.00 in the aggregate, (viii) any stock or securities of Sunbelt (but no permission is hereby granted for the acquisition by the Guarantor of any additional stock or securities shares of Sunbelt), (ix) any loans made or deemed to be made by the Guarantor to Sunbelt as a result of the Guarantor's payment of any portion of the Guaranteed Debt of Sunbelt guaranteed by the Sunbelt Debt Guarantee and (x) any loan participation program(s) for a period not to exceed seven (7) days with credit risk to companies with long-term debt rating by Standard Poor's of Moody's if not less than single A.

"Restricted Payment" shall have the meaning given in Section 8(c) hereof.

"Secured Debt" shall mean all indebtedness for borrowed money, including indebtedness evidenced by a bond, debenture, note or similar document, which is secured by a lien on any assets of the Guarantor or any Subsidiary or any shares of stock or Debt of any Subsidiary.

"Senior Funded Debt" shall mean the Notes and Funded Debt which by its terms is not subordinated in right of payment to the Notes. For the purposes of this definition of Senior Funded Debt, the term "Notes" shall have the meaning ascribed to that term in the Teachers Agreement.

"Short Term Debt" means, for the Guarantor on a Consolidated basis, Debt (including Guaranteed Debt) which matures within one (1) year from the date

of determination thereof. Short Term Debt shall not include current maturities of Funded Debt.

"Significant Subsidiary" shall mean, at any time, any Subsidiary of the Guarantor which either (i) contributed during the most recent fiscal year of the Guarantor more than five percent (5%) of the Consolidated gross revenues of the Guarantor for such period, (ii) contributed during the most recent fiscal year of the Guarantor more than five percent (5%) of the Consolidated Net Income of the Guarantor for such period or (iii) owns more than five percent (5%) of the fair market value of the Consolidated Tangible Assets of the Guarantor. Notwithstanding the foregoing, if at any time all Subsidiaries of the Guarantor not meeting the above definition of "Significant Subsidiary" and taken in the aggregate shall either (i) contribute during the most recent fiscal year of the Guarantor more than twenty-five percent (25%) of the Consolidated gross revenues of the Guarantor for such period, (ii) contribute during the most recent fiscal year of the Guarantor more than twenty-five (25%) of the Consolidated Net Income of the Guarantor for such period or (iii) own more than twenty-five percent (25%) of the fair market value of the Consolidated Tangible Assets of the Guarantor, then so long as such situation continues all Subsidiaries of the Guarantor shall be deemed to be "Significant Subsidiaries."

"Subsequent Holder" shall mean the Agent, for the benefit of Agent and Banks, or any of the Agent's Subsidiaries or other Affiliates which is a direct or indirect transferee of the rights, interests and/or benefits of the Lessor under this Guarantee.

"Subsidiary" shall mean, as to any particular parent corporation, any corporation more than fifty percent (by number of votes) of the Voting Stock shall be owned by such parent corporation and/or one or more corporations which themselves have more than fifty percent (by number of votes) of their Voting Stock owned by such parent corporation. As used herein, the term "Subsidiary" shall mean a "subsidiary" of Guarantor.

"Sunbelt" shall mean Sunbelt Nursery Group, Inc., a Delaware corporation.

"Taxes" shall mean all taxes, assessments, fees and other charges at any time imposed by any Laws or Tribunal.

"Teachers Agreement" shall mean that certain Note Purchase Agreement dated as of May 24, 1991 executed by and between the Guarantor and Teachers Insurance Annuity Association of America, as amended from time to time, pursuant to which the Guarantor has issued the Notes referred to in the definition of Senior Funded Debt contained herein.

"Total Costs" shall mean the sum of the amounts paid by Lessor and not reimbursed by Lessee, as of the applicable date as set forth in and defined as "the Total Cost" in the Lease Agreements.

"Tribunal" shall mean any municipal, state, commonwealth, federal, foreign, territorial or other court, governmental body, subdivision, agency, department, commission, board or bureau or instrumentality.

"Voting Stock" shall mean, with respect to any Subsidiary, any shares of any class of stock of such Subsidiary having general voting power under ordinary circumstances to elect a majority of the Board of Directors of such Subsidiary irrespective of whether at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency.

"Wolfe" shall mean Wolfe Nursery, Inc., a Delaware corporation.

4. Guarantee Not Affected by Change in Security or Other Actions. Lessor may, from time to time, without the consent of or notice to the Guarantor, take any or all of the following actions without impairing or affecting the Guarantors' obligations under this Guarantee or releasing or exonerating the Guarantor from any liability hereunder:

(a) retain or obtain a security interest in any property to secure any of the Obligations or any obligation hereunder:

(b) retain or obtain the primary or secondary liability of any party or parties, in addition to the undersigned Guarantor, with respect to any of the Obligations;

(c) extend the time or change the manner, place or terms of payment of, or renew or amend the Lease Agreements, any note or other instrument executed in connection with or evidencing the Obligations or any part thereof, or amend in any manner any agreement relating thereto;

(d) release or compromise, in whole or in part, or accept full or partial payment for, any of the Obligations hereby guaranteed, or any liability of any nature of any other party or parties with respect to the Obligations or any security therefor;

(e) subordinate the payment of all or any part of the Obligations to the payment of any liability of the Lessee to creditors of the Lessee other than Lessor or the Guarantor;

(f) enforce Lessor's security interest, if any, in all or any properties securing any of the Obligations or any obligations hereunder in order to obtain full or partial payment of the Obligations then outstanding;

(g) release or fail to perfect, protect, or enforce Lessor's security interest, if any, in all or any properties securing any of the Obligations or any obligation hereunder, or permit any substitution or exchange for any such property; and

(h) take or fail to take any other action of whatever kind or character with respect to the Obligations, the Lease Agreements or any other document or instrument, it being the intention of the Guarantor that it shall remain liable as primary obligor for the Obligations notwithstanding any act, omission or thing which might, but for the provisions hereof, otherwise operate as a legal or equitable discharge of any guarantor.

5. Waivers. The Guarantor hereby expressly waives:

(a) notice of acceptance of this Guarantee;

(b) notice of the existence or incurrence of any or all of the Obligations;

(c) presentment, demand, notice of dishonor, notice of intent to accelerate, notice of acceleration, protest, and all other notices whatsoever;

(d) any requirement that proceedings first be instituted by Lessor against the Lessee;

(e) all diligence in collection or protection of or realization upon the Obligations or any part thereof, or any obligation hereunder, or any collateral for any of the foregoing;

(f) any rights or defenses based on the Lessor's election of remedies, including any defense to the Lessor's action to recover any deficiency after a non-judicial sale;

(g) the occurrence of every other condition precedent to which the undersigned Guarantor might otherwise be entitled; and

(h) any right to require Lessor to marshal assets.

6. Representations, Warranties and Agreements of the Guarantor. The Guarantor represents and warrants to Lessor and any Subsequent Holder that:

(a) The Guarantor (i) has been duly incorporated and are validly existing as a corporation in good standing under the laws of the State of Delaware, (ii) has full corporate power and authority to own and operate its properties and to conduct its business as presently conducted, and full corporate power, authority and legal right to execute, deliver and perform its obligations under this Guarantee and any consent executed in connection herewith, (iii) is duly qualified to do business as a foreign corporation in good standing in each jurisdiction, including, without limitation, the State of Texas, in which its ownership or leasing of properties or the conduct of its business requires such qualification and where non-qualification, singly or in the aggregate, would materially adversely affect the financial condition or creditworthiness of the Guarantor, or would impair the ability of the Guarantor to perform its obligations under this Guarantee, and (iv) all of the issued and outstanding voting stock of Pier 1 Imports (U.S.), Inc. is owned by CMEI, Inc., a Georgia corporation, all the issued and outstanding

stock of which is owned by Guarantor.

(b) This Guarantee has been duly authorized, executed and delivered by the Guarantor and is a legal, valid and binding obligation of the Guarantor, enforceable according to its terms.

(c) The execution, delivery and performance by the Guarantor of this Guarantee will not result in any violation of any term of the certificate of incorporation or the bylaws of the Guarantor, do not require stockholder approval or the approval or consent of any trustee or holders of Debt of the Guarantor except such as have been obtained prior to the date hereof, and will not conflict with or result in a breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien upon, any property or assets of the Guarantor under, any indenture, mortgage or other agreement or instrument to which the Guarantor is a party or by which it or any of its property is bound where breach or default, singly or in the aggregate, could have a Material Adverse Effect or violate any existing applicable Law, or any judgment, order or decree of any Tribunal having jurisdiction over the Guarantor or any of its activities or properties.

(d) There are no consents, licenses, orders, authorizations or approvals of, or notices to or registrations with any Tribunal or other Person which are required in connection with the valid execution, delivery and performance of, this Guarantee that have not been obtained or made, and any such consents, licenses, orders, authorizations, approvals, notices and registrations that have been obtained or made are in full force and effect.

(e) Except as disclosed in writing to Lessor by the Guarantor concurrently herewith, there is no action, suit, proceeding or investigation at law or in equity by or before any court, governmental body, agency, commission or other Tribunal now pending or, to the best knowledge of the Guarantor after due inquiry, threatened against or affecting the Guarantor or any property or rights of the Guarantor as to which there is a significant possibility of an adverse determination, and which if adversely determined, may have a Material Adverse Effect or which, if adversely determined could materially impair the ability of the Guarantor to perform its obligations under this Guarantee, and there is no action, suit, proceeding or investigation at law or in equity by or before any court, governmental body, agency, commission or other Tribunal now pending or, to the best knowledge of the Guarantor after due inquiry, threatened which questions or would question the validity of this Guarantee.

(f) The consolidated balance sheets of the Guarantor and its Subsidiaries as of February 28, 1992 and the related consolidated statements of income and retained earnings of the Guarantor and its Subsidiaries for the fiscal year then ended, reported on by its independent public accountants, and the consolidated balance sheets of the Guarantor and its Subsidiaries for the three-month period ending August 29, 1992 and related consolidated statements of income and retained earnings of the Guarantor and its Subsidiaries for the period then ended fairly present the consolidated financial condition and the results of operations of the Guarantor and its Subsidiaries for the periods ending on such date all in accordance with GAAP, and since the dates thereof there has been no material adverse change in such condition or operations.

(g) The Guarantor is not in default under or with respect to any agreement or other instrument to which it is party or by which it or its assets may be bound which could have a Material Adverse Effect. The Guarantor is not subject to or in default under any order, award or decree of any court, arbitrator, or other governmental authority binding upon or affecting it or by which any of its assets may be bound or affected which could have a Material Adverse Effect.

(h) The Guarantor has filed or caused to be filed all tax returns which to the knowledge of the Guarantor is required to be filed, and have paid all Taxes shown to be due and payable on said returns or on any assessments made against it, except for (i) returns which have been appropriately extended and (ii) Taxes, the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Guarantor, as the case may be.

(i) The Guarantor and each of its Subsidiaries are in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Code, and the rules and regulations thereunder insofar as ERISA, the Code and such rules and regulations relate to any

employee benefit plan as defined in Section 3(3) of ERISA. No employee benefit plan (as defined in Section 3(2) of ERISA) maintained by the Guarantor or any of its Subsidiaries for its employees and covered by ERISA (a "Plan") had an "accumulated funding deficiency," within the meaning of said term under Section 302 of ERISA, as of the last day of the most recent fiscal year of such Plan, and neither the Guarantor nor any Subsidiary has incurred with respect to any Plan any liability to the Pension Benefit Guaranty Corporation ("PBGC") which is material to the consolidated financial condition of the Guarantor or any Subsidiary. For the purpose of this paragraph, the term "Subsidiary" shall include a Controlled Group of Corporations as that term is defined in Section 1563 of the Code or Section 4.001 of ERISA.

(j) The financial statements of the Guarantor and its Subsidiaries furnished to the Lessor on or before the date hereof have been prepared in accordance with GAAP and fairly present the financial condition of the Guarantor as of the date thereof. Since the date of such financial statements there has been no material adverse change in the financial condition or business of the Guarantor which would impair the ability of the Guarantor to perform its obligations hereunder.

7. Affirmative Covenants. The Guarantor covenants and agrees that, so long as any part of the Obligations shall remain unpaid or the Lessee shall have any commitment or obligation under the Lease Agreements, the Guarantor will, unless Lessor shall otherwise consent in writing:

(a) Financial Statements. Deliver to the Lessor or any Subsequent Holder, as appropriate, in duplicate:

(i) Quarterly Statements: as soon as practicable and in any event within 60 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, a Consolidated statement of operations, a Consolidated statement of changes in financial position of the Guarantor, and a Consolidated balance sheet of the Guarantor as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and prepared by an authorized financial officer of the Guarantor.

(ii) Annual Statements: as soon as practicable and in any event within 100 days after the end of each fiscal year, a Consolidated statement of operations, and a Consolidated statement of changes in financial position of the Guarantor for such year, and a Consolidated balance sheet of the Guarantor as at the end of such year, setting forth in each case in comparative form corresponding Consolidated figures from the preceding year, all in reasonable detail and satisfactory in scope to Lessor or any Subsequent Holder, together with an opinion by independent public accountants of recognized standing selected by the Guarantor, whose opinion shall (a) state that such financial statements have been prepared in accordance with GAAP and fairly present the Consolidated financial position of the Guarantor as of the date thereof and the Consolidated results of their operations for the period thereof, (b) state that their audit examination has included a review of the terms of this Guarantee as it relates to accounting matters, and (c) state whether, in the course of their audit examination, they obtained knowledge (and state whether they have knowledge of the existence as of the date of such written statement) of any condition or event which constitutes a Default, and if so, specifying the nature and period of existence thereof (notwithstanding the foregoing, the opinion of the Guarantor's independent public accountants need not contain the statements otherwise required by clauses (b) and (c) of this subparagraph (ii) so long as the Guarantor is a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended);

(iii) SEC and Other Reports: promptly upon transmission thereof, copies of all such financial statements, proxy statements, notices and reports as Guarantor shall send to its public security holders and copies of all registration statements (without exhibits) and all reports which it files with the Securities and Exchange Commission (or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission);

(iv) Audit Reports: promptly upon receipt thereof, a copy of each other report submitted to the Guarantor or any Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of the Guarantor or any Subsidiary (other than any "management letters" delivered to the Guarantor by such accountants, which

management letters shall only be delivered to Lessor or any Subsequent Holder upon such Person's prior request);

(v) Other Notices: promptly upon the occurrence thereof, notice of any of the following: (a) the occurrence of any condition or event which constitutes a Default or an Event of Default, specifying the nature and period of existence thereof, (b) that any Person has given any notice to the Guarantor or any Subsidiary or taken any action with respect to a claimed Default, or (c) that any Person has given any notice to the Guarantor or any Subsidiary or taken any other action with respect to a claimed default or event of default with respect to any other indebtedness which in the aggregate exceeds the sum of three million dollars (\$3,000,000) and, with respect to any of such events specified in subdivisions (a), (b) or (c) above of this clause (v), what action the Guarantor or such Subsidiary has taken, is taking or proposes to take;

(vi) ERISA Events: promptly upon any officer of the Guarantor obtaining knowledge of the occurrence thereof, notice of the occurrence of any (a) "reportable event," as such term is defined in section 4043 of ERISA, or (b) "prohibited transaction," as such term is defined in section 4975 of the Code, in connection with any Plan or any trust created thereunder, specifying the nature thereof, what action the Guarantor or its Subsidiary has taken, is taking or proposes to take with respect thereto, and, when known, any action taken or threatened by the Internal Revenue Service or the Pension Benefit Guaranty Corporation with respect thereto; provided that with respect to the occurrence of any "reportable event" as to which the Pension Benefit Guaranty Corporation has waived the 30-day reporting requirement, such written notice need be given only at such time as notice is given to the Pension Benefit Guaranty Corporation; and with reasonable promptness, such other financial data or other data or information related to the business or operations of the Guarantor or its Subsidiaries as the Lessor or any Subsequent Holder may reasonably request. The Lessor agrees that Lessor or any Subsequent Holder will not intentionally disclose any information given to Lessor by the Guarantor or any of its Subsidiaries which is either proprietary or confidential and which is prominently marked as such; provided, however, that this restriction shall not apply to information which has at the time in question entered the public domain, nor will this restriction prohibit Lessor or any Subsequent Holder from disclosing such information (a) as is required to be disclosed by Law or by any order, rule or regulation (whether valid or invalid) of any Tribunal, (b) to Lessor's or any Subsequent Holder's auditors, examiners, attorneys, or agents, or (c) to purchasers or prospective purchasers or assignees of interests in the Obligations.

Together with each delivery of financial statements required by clause (i) above, the Guarantor will deliver to Lessor or any Subsequent Holder an Officer's Certificate demonstrating (with computations in reasonable detail) compliance by the Guarantor and its Subsidiaries with the provisions of Sections 8(a), 8(b), 8(c), 8(d)(i)(g), 8(d)(ii), 8(d)(iii), 8(d)(iv) 8(d)(v), 8(d)(vi), and 8(d)(vii) and stating that there exists no Default with respect to such covenants or otherwise under this Guarantee or, if any Default exists with respect to such covenants or under this Guarantee, specifying the nature and period of existence thereof and what action the Guarantor promises to take with respect thereto. Together with each delivery of financial statements required by clause (ii) above, the Guarantor will deliver to the Lessor or any Subsequent Holder an Officer's Certificate of the Treasurer or Chief Financial Officer of Guarantor demonstrating (with computations in reasonable detail) compliance by the Guarantor and its Subsidiaries with the provisions of Sections 8(a), 8(b), 8(c), 8(d)(i)(g), 8(d)(ii), 8(d)(iii), 8(d)(iv) 8(d)(v), 8(d)(vi), and 8(d)(vii) and stating that there exists no Default with respect thereto or otherwise under this Guarantee or, if any Default exists with respect thereto or under this Guarantee, specifying the nature and period of existence thereof and what action the Guarantor proposes to take with respect thereto. By delivery of such Officer's Certificate, the officer executing such certificate represents and warrants that the statements made therein are based upon the level of investigation normally and customarily taken by Treasurers or Chief Financial Officers of similarly situated corporations of established reputation in performing their regular duties. In the event that a change(s) in GAAP related to the accounting for leases requires the Guarantor to use accounting principles for purposes of determinations or computations under this Guarantee different than the Guarantor uses in its quarterly and annual financial statements, the Guarantor will, together with the delivery of financial statements required by clause (ii) above with respect to the fiscal year in which such change(s) in GAAP become applicable, deliver to the Lessor and any Subsequent Holder a certificate of such accountants stating that, in making the audit necessary

to the certification of such financial statements, they have obtained no knowledge of any Default, or, if they have obtained knowledge of any Default, specifying the nature and period of existence thereof.

(b) Payment of Obligations; Maintain Books and Reserves. Duly and punctually pay the Obligations and duly and punctually perform all of its covenants, agreements, debts, duties and obligations in accordance with the terms of this Guarantee. Guarantor will, and will cause each of its Subsidiaries to, keep proper books of record and account and set aside appropriate reserves, all in accordance with GAAP.

(c) Inspection of Property. Permit any Person designated by Lessor or any Subsequent Holder, at the Lessor's or such Subsequent Holder's expense and with reasonable notice to the Guarantor, to visit and inspect any of the properties of the Guarantor and its Subsidiaries, to examine the corporate books and financial records of the Guarantor and its Subsidiaries and make copies thereof or extracts therefrom and to discuss the affairs, finances and accounts of any such corporations with officers and employees of the Guarantor and its independent public accountants, all at such reasonable times and as often as Lessor or any Subsequent Holder may reasonably request. Lessor agrees that Lessor will keep confidential any proprietary or confidential information given to Lessor by the Guarantor or its Subsidiaries upon the same terms and conditions as agreed to with respect to information Lessor has obtained pursuant to Section 7(a)(vii) hereof.

(d) Compliance with Laws, Etc. Comply and cause each of its Subsidiaries to comply, in all material respects with all applicable laws, rules, regulations and orders applicable to its business, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments, and governmental charges imposed upon it or upon its property, except to the extent contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP, and provided that Guarantor or its Subsidiary, as the case may be, retains good and marketable title to and the right to use and enjoyment of its properties or other assets which may be affected by any such contest. Guarantor will timely pay and will cause its Subsidiaries to timely pay, all payments due for labor, services and materials rendered or furnished in the ordinary course of business which are secured by inchoate statutory Liens, except to the extent contested in good faith by appropriate proceedings, and provided that the Guarantor or its Subsidiary, as the case may be, retains good and marketable title to and the right to the use and enjoyment of its properties or other assets which may be affected by any such contest. Guarantor will promptly notify the Lessor or any Subsequent Holder if the Guarantor receives any notice, claim or demand from any governmental agency which alleges that the Guarantor is in violation of any Laws or has failed to comply with any order issued pursuant to any federal, state or local statute regulating its operation and business, the result of which may have a Material Adverse Effect.

(e) Maintenance of Existence and Qualifications. Maintain and preserve and cause each of its Subsidiaries to maintain and preserve its corporate existence and its rights and franchises in full force and effect and obtain and maintain and cause its Subsidiaries to obtain and maintain all permits and licenses necessary to the proper conduct of its business, including without limitation qualifying to do business as a foreign corporation in all states or jurisdictions where required by applicable Law. Notwithstanding the foregoing, this Section 7(e) shall not prohibit any transaction expressly permitted by Section 8(d)(vi) and Section 8(d)(vii) of this Guarantee.

(f) Maintenance of Properties; Insurance. Maintain, preserve, protect, and keep and cause each of its Subsidiaries to maintain, preserve, protect and keep, all property used or useful in the conduct of its business in good condition and in compliance with all applicable Laws, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times. Guarantor will, and will cause each of its Subsidiaries, to carry and maintain in full force and effect at all times with financially sound and reputable insurers (or, in an insurance fund or by self-insurance authorized by the jurisdiction in which its operations are carried on) insurance in such amounts (and with co-insurance and deductibles) as such insurance is usually carried by corporations of established reputation engaged in the same or similar businesses and similarly situated, and the Guarantor and its Subsidiaries shall maintain self-insurance only to the extent that a prudent corporation of established reputation engaged in the same or similar businesses and similarly situated

would rely upon self-insurance.

(g) Primary Business. Continue to conduct, and cause each of its Subsidiaries to continue to conduct, substantially all of their respective operations in the same primary businesses as those in which they currently operate (i.e., developing, owning and operating, in the United States and Canada and in territories of the United States and Canada, (i) specialty retail stores offering primarily imported decorative home furnishings, accessories and other specialty items for the home and casual clothing and fashion accessories and (ii) retail stores offering primarily nursery and garden products).

(h) Transactions With Affiliates. Conduct and cause each Subsidiary to conduct all of their respective transactions with any Affiliate on an arm's length basis and pursuant to the reasonable requirements of Guarantor's and/or such Subsidiary's business.

(i) Compliance with Material Agreements. Guarantor will comply with all material agreements, indentures, mortgages or documents binding on it or affecting its properties or business where the failure to so comply would have a Material Advertise Effect.

(j) Operations and Properties. Guarantor will act prudently and in accordance with customary industry standards in managing or operating its respective assets, properties, business and investments; Guarantor will keep in good working order and condition, ordinary wear and tear excepted, all of its respective assets and properties which are necessary to the conduct of its business.

(k) Books and Records; Access. Upon prior written notice, Guarantor will give any representative of Lessor access during all business hours to, and permit such representative to examine, copy or make excerpts from, any and all books, records and documents in the possession of the Guarantor and relating to its affairs, and to inspect any of the properties of the Guarantor. Guarantor will maintain complete and accurate books and records of its transactions in accordance with good accounting practices.

(l) Additional Guaranty Agreement. If the Guarantor merges or consolidates with any entity which is owned or controlled by a corporation organized or incorporated in a jurisdiction outside of the United States of America (an "Offshore Company") or becomes a Subsidiary of an Offshore Company as a result of a reorganization or acquisition, Guarantor shall cause such Offshore Company to reexecute and deliver to Lessor and any Subsequent Holder, at the expense of the Guarantor, a lease guarantee in the form of this Lease Guarantee and an opinion of counsel in form satisfactory to Lessor or any Subsequent Holder at the time of such merger, consolidation, reorganization or acquisition.

(m) Additional Information. Guarantor shall promptly furnish to Lessor and any Subsequent Holder, at Lessor's request, such additional financial or other information concerning assets, liabilities, operations and transactions of Guarantor or any Subsidiary as Lessor or any Subsequent Holder may from time to time reasonably request.

(n) Further Assurances. Upon request of the Lessor, promptly cure upon request of Lessor any defects in the creation, issuance, execution and delivery of this Guarantee or in the Lease Agreements. Guarantor, at its expense, will further promptly execute and deliver to Lessor upon request all such other and further documents, agreements and instruments in compliance with or accomplishment of the covenants and agreements of Guarantor hereunder, or to further evidence and more fully describe the obligations of the Guarantor for the Obligations as primary obligor or to correct any omissions herein, or to more fully state the obligations set out herein.

8. Negative Covenants. The Guarantor covenants and agrees that, so long as any part of the Obligations shall remain unpaid or the Lessee shall have any commitment or obligation under the Lease Agreements, neither the Guarantor nor any of its Subsidiaries will, unless Lessor or any Subsequent Holder otherwise consents in writing:

(a) Current Ratio. Permit the ratio of its Consolidated Current Assets to its Consolidated Current Liabilities at any time thereafter to be less than 2.0:1.

(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 sixty million dollars (\$160,000,000) plus (ii) 50% of the aggregate Consolidated Net Income of the Guarantor for the period commencing on February 29, 1992 (without deduction for any net loss in any fiscal year ending after February 29, 1992) 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. Declare 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) which is payable more than 60 days after the date such declaration is made, unless, at the time of such declaration, such dividend complied with this Section 8(c). Guarantor covenants that it will not, and will not permit any of its Subsidiaries to, pay or declare any dividend on any class of its stock (other than stock dividends) or make any other distribution on account of any class of its stock (other than dividends or distributions payable solely in shares of its stock), or redeem, purchase or otherwise acquire, directly or indirectly, any shares of its stock, or make any Restricted Investments (all of the foregoing being herein called "Restricted Payments") if the aggregate amount of all such Restricted Payments, from and after February 29, 1992, shall exceed the sum of (i) fifty percent (50%) of the aggregate Consolidated Net Income of the Guarantor for the period (taken as one accounting period) commencing on February 29, 1992 and terminating at the end of the last fiscal quarter preceding the date of such Restricted Payment (provided, however, that in the case of any deficit in Consolidated Net Income in any financial reporting period occurring either fully or partly within such period, 100% of the amount of such deficit shall be subtracted from the amount described in clause (i) above) plus (ii) the aggregate net cash proceeds received from the issuance or sale, after February 29, 1992, of capital stock of the Guarantor (provided, however, that for purposes of clause (ii), such net cash proceeds shall be considered only for a period of one calendar year commencing on the date such proceeds are received by the Guarantor) plus (iii) ten million dollars (\$10,000,000). Notwithstanding the foregoing, no Restricted Payment shall be made unless, after giving effect thereto, no Default shall have occurred and be continuing. There shall not be included in the limitation upon Restricted Payments (a) any dividends paid by any Subsidiary of the Guarantor to its corporate parent which is also a Subsidiary of the Guarantor or (b) to the Guarantor.

(d) Lien, Debt and Other Restrictions. Guarantor covenants that it will not, and will not permit any Subsidiary to:

(i) Liens. Create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, except without double-counting, any of the following (the "Permitted Liens"):

(a) Liens for Taxes, not yet due and delinquent or which are being actively contested in good faith by appropriate proceedings, provided that the existence of such Liens does not affect the Guarantor's or its Subsidiaries' good and marketable title to or use or enjoyment of the property or assets burdened by such Liens,

(b) other Liens arising in the ordinary course of its business or the ownership of its property and assets (including easements and similar encumbrances) which were not incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property or assets, and which do not in the aggregate materially interfere with the operation of its business and will not cause a Material Adverse Effect,

(c) any Lien existing on any property of any corporation at the time it becomes a Subsidiary, provided that (a) any such Lien shall not encumber any other property of the Guarantor or such Subsidiary, and (b) the aggregate amount of Debt secured by such Lien shall not at any time exceed 75 of the fair market value of such property,

(d) any Lien on any property acquired, constructed or improved by the Guarantor or a Subsidiary after the date hereof and created contemporaneously with or within 12 months of such acquisition, completion of construction or improvement to secure Debt assumed or incurred to finance up to 75% of the purchase price or cost of construction or improvement of such property, but such Lien shall cover only the property so acquired or constructed and any improvements thereto, and

(e) Liens existing on the date hereof and disclosed in the most recent financial statements described in Section 6(f) hereof,

(f) Liens arising in connection with court proceedings, provided the execution of such Liens is effectively stayed and such Liens are contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP, and provided further that the existence of such Liens does not affect the Guarantor's or its Subsidiaries' title to or use or enjoyment of the property or assets burdened by such Liens,

(g) any Lien described in clauses (c), (d) or (e) above resulting from renewing, extending or refunding outstanding Secured Debt provided that the principal amount of the Secured Debt secured thereby is not increased and the Lien is not extended to any other property, and

(h) any other Liens incurred in connection with the borrowing of money or any other Liens, provided that immediately thereafter the aggregate amount of Debt secured by Liens incurred pursuant to this clause (h) does not at any time exceed five percent (5.0%) of Consolidated Net Tangible Assets.

(ii) Funded Debt -- Other than for the Guaranteed Debt by the Guarantor of Sunbelt's Debt to (i) Standard Chartered Bank under a line of credit in the amount of \$5,000,000 and (ii) Texas Commerce Bank, National Association under a line of credit in the amount of \$5,000,000 (the "Sunbelt Debt Guarantee"), create, incur, assume or suffer to come into existence any additional Funded Debt unless after giving effect thereto (i) Senior Funded Debt is less than 50% of Consolidated Net Tangible Assets and (ii) all Funded Debt in the aggregate is less than sixty percent (60%) of Consolidated Net Tangible Assets. With respect to Subsidiaries which are not Guarantor, create, incur, assume or suffer to come into existence any additional Funded Debt by such Subsidiaries unless after giving effect thereto all Funded Debt by such Subsidiaries in the aggregate is less than 70% of Consolidated Net Tangible Assets of such Subsidiaries. As used in this paragraph 8(ii), (A) prior to demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Senior Funded Debt) shall only include the Guaranteed Debt of Sunbelt to the extent the aggregate amount of such Guaranteed Debt of Sunbelt exceeds the sum of Sunbelt's Cash Equivalents, and (B) from and after demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Senior Funded Debt) shall include such Guaranteed Debt of Sunbelt.

(iii) Short-Term Debt -- Other than for the Sunbelt Debt Guarantee, create, incur, assume or suffer to exist any Short-Term Debt, other than any Short-Term Debt which is incurred in the ordinary course of business, provided that there shall be a period of at least 45 consecutive days during each fiscal year in which such Short-Term Debt is paid down to an amount that would have been permitted under Section 8(d)(ii) were such Short-Term Debt to be treated as Funded Debt; provided, however, that as used in this paragraph 8(d)(iii), (A) prior to demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Short-Term Debt) shall only include the Guaranteed Debt of Sunbelt to the extent the aggregate amount of such Guaranteed Debt of Sunbelt exceeds the sum of Sunbelt's Cash Equivalents, and (B) from and after demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Short-Term Debt) shall include such Guaranteed Debt of Sunbelt.

(iv) Subsidiaries' Debt -- Create, incur, assume or suffer to exist any additional Debt unless after giving effect thereto, the aggregate amount of outstanding Debt of the Guarantor's Subsidiaries is less than 10% of Consolidated Net Tangible Assets.

(v) Maintenance of Fixed Charge Coverage -Permit the ratio of Cash Flow Available for Fixed Charges to Fixed Charges, to be determined on the last day of each fiscal quarter for the preceding 12 months, to be less than (i) 1.3 to 1 for each of the fiscal quarters ending during the period from the date of this Guarantee through February 27, 1993, and (ii) 1.4 to 1 for each fiscal quarter ending thereafter.

(vi) Limitation on Sale of Assets -- Other than (i) sales in the

ordinary course of business, and (ii) the sale by the Guarantor and/or Sunbelt Nursery Group, Inc. of any of the capital stock of Sunbelt (provided the net proceeds of any such sale of stock owned by the Guarantor are used to pay down the Guarantor's bank debt which is pari passu in terms of right to payment with the Obligations), sell or otherwise dispose of in any fiscal year more than 10% of its Consolidated Tangible Assets or sell or otherwise dispose of any of its Consolidated Tangible Assets for less than fair market value.

(vii) Merger and Consolidation -- Merge or consolidate, provided, however, that:

(a) the Guarantor may merge or consolidate with or into any other corporation so long as (A) the successor corporation is a United States entity which expressly assumes the Obligation in writing or the Guarantor shall be the continuing or surviving entity, (B) no Default shall have occurred after giving effect to such merger or consolidation, and (C) immediately after giving effect to such merger or consolidation the Guarantor could have incurred an additional \$1.00 of Funded Debt pursuant to the provisions of Section 8(d)(ii) hereof, and

(b) any Subsidiary may merge or consolidate with or into any other corporation so long as, upon such merger or consolidation, (A) the successor corporation becomes a Subsidiary of the Guarantor, (B) no Default shall have occurred after giving effect to such merger or consolidation, and (C) immediately after giving effect to such merger or consolidation such Subsidiary could have incurred an additional \$1.00 of Funded Debt pursuant to the provisions of Section 8(d)(ii) hereof, and

(c) any Subsidiary may merge or consolidate with or into the Guarantor or any other Subsidiary so long as, in any such merger or consolidation involving the Guarantor, the Guarantor shall be the surviving or continuing corporation.

(e) Investments. Make or permit any of its Subsidiaries to make any Investment, except (i) purchases of majority of the outstanding stock of any corporation, (ii) Investments in Guarantor, any of its Subsidiaries, or any Person that is wholly-owned by Guarantor and/or its Subsidiaries, not to exceed in the aggregate twenty-five million dollars (\$25,000,000) (iii) Investments in Cash Equivalents or readily marketable securities having a quoted market value, (iv) Investments in Persons to the extent permitted by Section 8(c) hereof, (v) Investments in 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 under this subsection (v) shall not exceed \$75,000,000 in the aggregate (vi) loans or advances to employees in the ordinary course of business that do not exceed \$5,000,000 in the aggregate, (vii) Investments in Sunbelt capital stock or which are loans made by the Guarantor to Sunbelt as a result of the Guarantor's payment of the Guaranteed Debt permitted under Section 8(g) hereof or are intercompany advances, not exceeding \$1,000,000.00, made by the Guarantor to Sunbelt in the ordinary course of business, which advances are promptly repaid by Sunbelt, and (viii) loan participation programs for a period not to exceed seven days with credit risk to companies with long-term debt rating by Standard & Poor's or Moody's of not less than single A.

(f) Chance in Nature of Business. Make, or permit any of its Subsidiaries to make, any material change in the nature of its business as conducted on the date hereof.

(g) Guaranteed Debt. Create, assume or suffer to exist or permit any of its Subsidiaries to create, suffer or exist any Guaranteed Debt except (i) Guaranteed Debt in existence on the date hereof, (ii) Guaranteed Debt that is secured by assets of the primary obligor having a fair market value at least equal to the amount of such Guaranteed Debt, as determined by an independent qualified appraiser selected by Guarantor (which appraisal, at Lessor's or any Subsequent Holder's reasonable request and at Lessor's expense, shall be promptly updated, but such request shall not be made more often than once every 12 months), and (iii) Guaranteed Debt of Guarantor or a Subsidiary on the consolidated balance sheet of Guarantor and its Subsidiaries; Provided, however, that in no event shall the aggregate amount of all consolidated Guaranteed Debt (other than the Guaranteed Debt described in (iii) above) of Guarantor and its Subsidiaries exceed the Consolidated Tangible Net Worth, and (iv) the Sunbelt Debt Guarantee.

(h) Management and Control. Permit any material change in the Guarantor's management or control of any of its Subsidiaries.

9. Payments. Each payment by the Guarantor to Lessor under this Guarantee shall be made by transferring the amount thereof in immediately available U.S. funds without set-off or counterclaim. Any and all payments by the Guarantor hereunder shall be made free and clear and without deduction for any and all present or future Taxes, excluding, in the case of Lessor, any Subsequent Holder and each Bank, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which Lessor, any Subsequent Holder, or such Bank (as the case may be) is organized or is or should be qualified to do business or any subdivision thereof, and in the case of each Subsequent Holder and each Bank, Taxes imposed on such Subsequent Holder's or such Bank's income by the jurisdiction of such Subsequent Holder's or Bank's lending office or any political subdivision thereof. If Guarantor shall be required to deduct any Taxes (i.e., Taxes for which Guarantor is responsible under the preceding sentence) from or in respect of any sum hereunder (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 9) such Subsequent Holder and each such Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) Guarantor shall make such deductions and (iii) Guarantor shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

10. Costs and Expenses. The Guarantor hereby agrees to pay all reasonable legal and other costs and expenses incurred by Lessor in seeking to protect or enforce any of Lessor's rights or remedies with respect to the Obligations or this Guarantee.

11. Subrogation. The Guarantor shall not be subrogated, in whole or in part, to Lessor's rights or those of any subsequent assignee or transferee of any of the Obligations until 367 days after all the Obligations to Lessor and every such subsequent assignee or transferee shall have been paid in full and all obligations and commitments of whatever kind or character of the Lessee under the Lease Agreements have been fully discharged and satisfied.

12. No Waiver. No delay on Lessor's part in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Lessor of any right or remedy shall preclude the other or further exercise thereof or the exercise of any other right or remedy.

13. Parties; Successors and Assigns. This Guarantee shall inure to the benefit of Lessor and Lessor's successors, assigns or transferees, and shall be binding upon the Guarantor and its successors and assigns. The Guarantor may not delegate any of its duties under this Guarantee without the prior written consent of Lessor or any Person to whom Lessor has assigned this Guarantee. Lessor may assign Lessor's rights and benefits under this Guarantee to any Person, including, without limitation, to any financial institution providing financing to Lessor. Upon any assignment by Lessor of this Guarantee, and upon any subsequent assignment or assignments by Lessor's assignee or future assignees, such assignee or future assignee shall succeed to all of the rights, benefits, remedies and privileges of this Guarantee and shall for all purposes hereof be deemed to be "Lessor" hereunder to the exclusion of the assigning Lessor. Guarantor agrees to make such disclosures and to take such action and execute such instruments as any such assignee or future assignee may reasonably require to more fully protect, preserve and assure to such assignee or future assignee all of the rights, benefits, remedies and privileges provided hereby. In the event that Lessor or any assignee hereof sells participations in any obligation secured by the Lease Agreements to other lenders, each such other lender shall have rights, benefits, remedies and privileges to the same extent as are available to Lessor hereunder.

14. Acceleration Events.

(a) If any one or more of the following events shall occur:

(i) If an Event of Default shall occur under any Lease Agreement; or

(ii) If an Event of Default shall occur under the Credit Agreement; or

(iii) If Guarantor shall fail to pay any part of the Obligations when due; or

(iv) If any representations or warranties made by Guarantor herein shall be false or misleading in any material respect on the date made; or

(v) If there shall be a default in the performance or observance of any other term, covenant or condition contained in this Guarantee (other than a default described in subparagraph (iii) above), which default shall continue for more than thirty (30) days; or

(vi) If an "Event of Default," as defined and provided in (a) the Teachers Agreement, or (b) that certain Revolving Credit Loan Agreement dated as of July 7, 1992 between Guarantor and First Interstate Bank of Texas, N.A., or (c) that certain Revolving Credit Loan Agreement dated July 7, 1992 between Guarantor and Texas Commerce Bank, National Association, (d) that certain Revolving Credit Loan Agreement dated July 7, 1992, between Guarantor and National Westminster Bank, Plc, or (e) in any renewals, extensions, amendments, modifications, replacements, and substitutions of any of the foregoing, shall occur and be continuing for any reason whatsoever;

(vii) Guarantor or any Subsidiary defaults in any payment on any other obligation for money borrowed (or any Capitalized Lease Obligation, any obligation under a conditional sale or other title retention agreement, any obligation issued or assumed as full or partial payment for property whether or not secured by a purchase money mortgage or any obligation under notes payable or drafts accepted representing extensions of credit) beyond any period of grace provided with respect thereto, or Guarantor or any Subsidiary fails to perform or observe any other agreement, term or condition contained in any agreement under which any such obligation is created (or if any other event thereunder or under any such agreement shall occur and be continuing) and the effect of such failure or other event is to cause, or to permit the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause, such obligation to become due prior to any stated maturity, provided that the aggregate amount of all obligations as to which such a default shall occur and be continuing or such a failure or other event causing or permitting acceleration shall occur and be continuing exceeds five million dollars (\$5,000,000); then, and in any such event, and in addition to all other rights and remedies at law and in equity available to Lessor and the Agent and Banks (as defined in the Credit Agreement) as a result of such event, Guarantor shall at the election of the Agent or Majority Banks (as defined in the Credit Agreement) immediately pay to the Agent, for the account of Banks, without notice or demand, an amount equal to the sum of (a) the Total Costs outstanding and not reimbursed with respect to all properties covered by all Lease Agreements then in effect, (b) accrued and unpaid interest thereon at the Applicable Rate as set forth in the Lease Agreements, and (c) all other amounts not included within the term Total Cost (as defined in the Lease Agreements) which are then due and payable under the Lease Agreements. All amounts paid by Guarantor to the Agent under this Section 14 shall be immediately deposited in the Collection Account established pursuant to Section 2.02 of the Absolute Assignment of Rents, Income and Leases, dated December 30, 1992 (the "Absolute Assignment") executed by Lessor to the Agent, and shall be invested, withdrawn and paid in accordance with the provisions of such Absolute Assignment. It is understood that any payments made by Guarantor to Lessor under this Guarantee shall not release or discharge Guarantor from its obligations hereunder until all of the Obligations have been fully and finally paid to Lessor. All amounts payable by Guarantor hereunder shall be credited against amounts otherwise payable by Lessee under the Lease Agreements for the remainder of their respective terms, provided that if any of the Lease Agreements have been terminated or if for any other reason sufficient credits cannot be given to Lessee, then such payments shall nevertheless be retained and applied pursuant to the Absolute Assignment and no further credits shall be given to Lessee.

(b) Guarantor acknowledges that the execution and delivery of this Guarantee was an express condition to the extension by the Banks of the credit facility to Lessor pursuant to the Credit Agreement, and that such credit facility has enabled Guarantor to open additional stores and expand its business in furtherance of its business plan. Guarantor further acknowledges that this Guarantee has been pledged as additional collateral to the Agent, for the benefit of Agent and Banks, pursuant to the Credit Agreement and that the covenants of Guarantor contained in this Section 14 have been required by the Banks as separate and distinct covenants in addition to the guarantee of the Lease Agreements contained herein. Accordingly, any payment made by Guarantor under this Section 14 shall be deemed to be an agreed guarantee payment without regard to the status of any Lease Agreement or Lessee's rights or obligations thereunder; and in no event

and under no circumstance shall any such payment be repayable or refundable to Guarantor for any reason or under any circumstance, and Guarantor agrees to look solely to Lessee under its limited right to subrogation for the recovery of any such sum.

(c) ALL AMOUNTS PAYABLE BY GUARANTOR UNDER THIS LEASE GUARANTEE ARE PAYABLE WITHOUT OFFSET, COUNTERCLAIM OR DEDUCTION OF WHATEVER KIND AND ARE NOT CONDITIONED UPON, AND CANNOT BE AFFECTED IN ANY WAY BY ANY FUTURE EVENT, OCCURRENCE OR ACTION BY ANY PARTY, AND GUARANTOR UNDERSTANDS AND AGREES THAT ALL SUCH AMOUNTS SHALL BE PAYABLE NOTWITHSTANDING ANY FACT OR CIRCUMSTANCE (INCLUDING WITHOUT LIMITATION THE BANKRUPTCY OF OR A SIMILAR EVENT AFFECTING LESSEE) AT ANY TIME AFFECTING LESSEE OR ANY LEASE AGREEMENT, WHETHER CAUSED OR CONTRIBUTED TO BY LESSEE, LESSOR OR ANY OTHER PARTY.

15. Arbitration Program.

(a) Binding Arbitration. Upon the demand of any party, whether made before or after the institution of any judicial proceeding, any Dispute (as defined below) shall be resolved by binding arbitration in accordance with the terms of this Arbitration Program. A "Dispute" shall include any action, dispute, claim, or controversy of any kind (e.g., whether in contract or in tort, statutory or common law, legal or equitable, or otherwise) now existing or hereafter arising between the parties in any way arising out of, pertaining to or in connection with (1) the agreement, document or instrument to which this Arbitration Program is attached or in which it is referred to or any related agreements, documents, or instruments (the "Documents"), (2) all past, present or future loans, notes instruments, drafts, credits, accounts, deposit accounts, safe deposit boxes, safekeeping agreements, guarantees, letters of credit, goods or services, or other transactions, contracts or agreements of any kind whatsoever, (3) any past, present or future incidents, omissions, acts, practices, or occurrences causing injury to either party whereby the other party or its agents, employees, or representatives may be liable, in whole or in part, or (4) any aspect of the past, present or future relationships of the parties including any agency, independent contractor or employment relationship but excluding claims for workers' compensation and unemployment benefits ("Relationship"). Any party to this Arbitration Program may, by summary proceedings (e.g., a plea in abatement or motion to stay further proceedings), bring any action in court to compel arbitration of any Disputes. Any party who fails or refuses to submit to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration of any Dispute. The parties agree that by engaging in activities with or involving each other as described above, they are participating in transactions involving interstate commerce.

(b) Governing Rules. All Disputes between the parties shall be resolved by binding arbitration administered by the American Arbitration Association (the "AAA") in accordance with, and in the following priority: (1) the terms of this Arbitration Program, (2) the Commercial Arbitration Rules of the AAA, (3) the Federal Arbitration Act (Title 9 of the United States Code) and (4) to the extent the foregoing are inapplicable, unenforceable or invalid, the laws of the State of Texas. The validity and enforceability of this Arbitration Program shall be determined in accordance with this same order of priority. In the event of any inconsistency between this Arbitration Program and such rules and statutes, this Arbitration Program shall control. Judgment upon any award rendered hereunder may be entered in any court having jurisdiction; provided, however, that nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. 91 or Texas Banking Code Art. 342-609.

(c) No Waiver; Preservation of Remedies; Multiple Parties. No provision of, nor the exercise of any rights under, this Arbitration Program shall limit the right of any party, during any Dispute to seek, use, and employ ancillary or preliminary remedies, judicial or otherwise, for the purpose of realizing upon, preserving, protecting, foreclosing or proceeding under forcible entry and detainer for possession of any real or personal property, and any such action shall not be deemed an election of remedies. Such rights shall include, without limitation, rights and remedies relating to (1) foreclosing against any real or personal property collateral or other security by the exercise of a power of sale under a deed of trust, mortgage, or other security agreement or instrument, or applicable law, (2) exercising self-help remedies (including setoff rights) or (3) obtaining provisional or ancillary remedies such as injunctive relief, sequestration, attachment, garnishment, or the appointment of a receiver from a court having jurisdiction. Such rights can be exercised at any time except to the extent

such action is contrary to a final award or decision in any arbitration proceeding. The institution and maintenance of an action for judicial relief or pursuit of provisional or ancillary remedies or exercise of self-help remedies shall not constitute a waiver of the right of any party, including the plaintiff, to submit the Dispute to arbitration nor render inapplicable the compulsory arbitration provisions hereof. In Disputes involving indebtedness or other monetary obligations, each party agrees that the other party may proceed against all liable persons, jointly and severally, or against one or more of them, less than all, without impairing rights against other liable persons. Nor shall a party be required to join the principal obligor or any other liable persons (e.g., sureties or guarantors) in any proceeding against a particular person. A party may release or settle with one or more liable persons as the party deems fit without releasing or impairing rights to proceed against any persons not so released.

(d) Statute of Limitations. All statutes of limitation shall apply to any proceeding in accordance with this Arbitration Program.

(e) Arbitrator Powers and Qualifications; Awards; Modification or Vacation of Award. Arbitrators are empowered to resolve Disputes by summary rulings substantially similar to summary judgments and motions to dismiss. Arbitrators shall resolve all Disputes in accordance with the applicable substantive law. Any arbitrator selected shall be required to be a practicing attorney licensed to practice law in the State of Texas and shall be required to be experienced and knowledgeable in the substantive laws applicable to the subject matter of the Dispute. With respect to a Dispute in which the claims or amounts in controversy do not exceed \$1,000,000, a single arbitrator shall be chosen and shall resolve the Dispute. In such case, the arbitrator shall be required to make specific, written findings of fact, and shall have authority to render an award up to but not to exceed \$1,000,000, including all damages of any kind whatsoever, including costs, fees and expenses. A Dispute involving claims or amounts in controversy exceeding \$1,000,000 shall be decided by a majority vote of a panel of three arbitrators (an "Arbitration Panel"), the determination of any two of the three arbitrators constituting the determination of the Arbitration Panel, provided, however, that all three Arbitrators on the Arbitration Panel must actively participate in all hearings and deliberations. Arbitrators, including any Arbitration Panel, may grant any remedy or relief deemed just and equitable and within the scope of this Arbitration Program and may also grant such ancillary relief as is necessary to make effective any award. Arbitration Panels shall be required to make specific, written findings of fact and conclusions of law, and in such proceedings before an Arbitration Panel only, the parties shall have the additional right to seek vacation or modification of any award of an Arbitration Panel that is based in whole, or in part, on an incorrect or erroneous ruling of law by appeal to a Federal or State Court of Appeals, following the entry of judgment on the award in Federal or State District Court, as appropriate. For these purposes, the award and judgment entered by the Federal or State District Court shall be considered to be the same as the award and judgment of the Arbitration Panel. All requirements applicable to appeals from any Federal or State District Court judgment shall be applicable to appeals from judgments entered on decisions rendered by Arbitration Panels. The Appellate Courts shall have the power and authority to vacate or modify an award based upon a determination that there has been an incorrect or erroneous ruling of law. The Appellate Court shall also have the power to reverse and/or remand the decision of an Arbitration Panel. Subject to the foregoing, the determination of an Arbitrator or Arbitration Panel shall be binding on all parties and shall not be subject to further review or appeal except as otherwise allowed by applicable law.

(f) Other Matters and Miscellaneous. To the maximum extent practicable, the AAA, the Arbitrator (or the Arbitration Panel, as appropriate) and the parties shall take any action necessary to require that an arbitration proceeding hereunder be concluded within 180 days of the filing of the Dispute with the AAA. Arbitration proceedings hereunder shall be conducted at one of the following locations in the State of Texas agreed to in writing by the parties or, in the absence of such agreement, selected by the AAA: (1) Austin; (2) Dallas; (3) Fort Worth; (4) Houston; or (5) San Antonio. Arbitrators shall be empowered to impose sanctions and to take such other actions as they deem necessary to the same extent a judge could do pursuant to the Federal Rules of Civil Procedure, the Texas Rules of Civil Procedure and applicable law. With respect to any Dispute, each party agrees that all discovery activities shall be expressly limited to matters directly relevant to the Dispute and any Arbitrator, Arbitration Panel and the AAA shall be required to fully enforce this requirement. This Arbitration Program

constitutes the entire agreement of the parties with respect to its subject matter and supersedes all prior discussions, arrangements, negotiations, and other communications on dispute resolution. The provisions of this Arbitration Program shall survive any termination, amendment, or expiration of the Documents or the Relationship, unless the parties otherwise expressly agree in writing. To the extent permitted by applicable law, Arbitrators, including any Arbitration Panel, shall have the power to award recovery of all costs and fees (including attorneys' fees, administrative fees, and arbitrators' fees) to the prevailing party. This Arbitration Program may be amended, changed, or modified only by the express provisions of a writing which specifically refers to this Arbitration Program and which is signed by all the parties hereto. If any term, covenant, condition, or provision of this Arbitration Program is found to be unlawful, invalid or unenforceable, such illegality or invalidity or unenforceability shall not affect the legality, validity, or enforceability of the remaining parts of this Arbitration Program, and all such remaining parts hereof shall be valid and enforceable and have full force and effect as if the illegal, invalid, or unenforceable part had not been included. The captions or headings in this Arbitration Program are for convenience of reference only and are not intended to constitute any part of the body or text of this Arbitration Program. Each party agrees to keep all Disputes and arbitration proceedings strictly confidential, except for disclosures of information required in the ordinary course of business of the parties or by applicable law or regulation. To the maximum extent permitted by law, this Arbitration Program modifies and supersedes any and all prior agreements for arbitration between the parties.

16. Notices. All notices, demands and other communications between Lessor and the Guarantor under this Guarantee shall be in writing, which may include cable, telex or telecopy) and shall be delivered or sent to the address or telex number shown below, or to such other address, telex or telecopy number as either of us may be written notice to the other have designated for such purpose. Any such notice, demand or other communication shall not be effective until actually received.

If to Lessee: Pier Group, Inc.
c/o Bear Stearns
245 Park Avenue
New York, New York 10167
Attention: James D. Price

If to the Guarantor: Pier 1 Imports, Inc.
301 Commerce Street, Suite 600
Fort Worth, Texas 76102
Attention: Robert G. Herndon,
Executive Vice President and CFO
Telex: 203955
Telecopier: 817-332-5727
Telephone: 817-878-8000

17. Term. This Guarantee is not limited to any particular period of time but shall continue in full force and effect until all of the Obligations have been fully and finally paid or have been otherwise discharged by Lessor, and the Guarantor shall not be released from any obligations or liability hereunder until such full payment or discharge shall have occurred.

18. Governing Law. This Guarantee shall be governed by and construed in accordance with the laws of the State of Texas. This Guarantee is performable in Tarrant County, Texas, and the Guarantor hereby waives the right to be sued elsewhere.

19. FINAL AGREEMENT. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES WITH RESPECT TO THE SUBJECT MATTER THEREOF 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.

GUARANTOR:

PIER 1 IMPORTS, INC.

By: _____
Robert G. Herndon,
Executive Vice President

LESSOR:

PIER GROUP, INC.

By: _____
Robert G. Herndon,
President

Agreed and Accepted as of
the date first above written:

ASSIGNEE:

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

By: _____
Terry R. Dallas,
Senior Vice President

FIRST AMENDMENT
TO
LEASE GUARANTEE

This First Amendment to Lease Guarantee is made effective as of April 28, 1993 by and between Pier 1 Imports, Inc., a Delaware corporation, (the "Guarantor"), and Pier Group, Inc., a Delaware corporation ("Lessor").

WHEREAS, the Guarantor and Lessor entered into that certain Lease Guarantee dated December 30, 1992 (the "Lease Guarantee") relating to leases between Lessor and Pier Imports (U.S.), Inc., and leases between Lessor and Wolfe Nursery, Inc.; and

WHEREAS, Guarantor has sold (the "Sale") all of its capital stock in Sunbelt Nursery Group, Inc. to a wholly-owned subsidiary of General Host Corporation, a New York corporation ("General Host") in exchange for 1,940,000 shares of common stock of General Host; and

WHEREAS, the parties desire to amend the Lease Guarantee in certain respects to take into account the terms of the Sale and the Credit Facilities Agreement dated April 28, 1993 between Pier 1 Imports, Inc. and Sunbelt Nursery Group, Inc. executed in connection therewith.

NOW, THEREFORE, for and in consideration of and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Guarantor and Lessor hereby agree as follows:

1.

Unless otherwise specified herein, terms defined in the Lease Guarantee shall have the same meaning when used herein and all section references refer to sections in the Lease Guarantee.

2.

The first paragraph on the first page of the Lease Guarantee is amended to read in its entirety as follows:

WHEREAS, Lessor has entered into and will continue to enter into lease agreements (collectively, the "Lease Agreements," whether now or hereafter in effect), from time to time with Pier 1 Import (U.S.), Inc., a Delaware corporation and wholly-owned subsidiary of Guarantor and with Pier Lease, Inc., a Delaware corporation and an affiliate of Guarantor (each of which is hereinafter referred to as the "Lessee"); and

3.

The definitions of "Lessee" and "Restricted Investments" in Section 3 of the Lease Guarantee are amended to read in their entirety as follows:

"Lessee" shall mean Pier 1 Imports (U.S.), Inc., a Delaware corporation, or Pier Lease, Inc., a Delaware corporation.

"Restricted Investments" shall mean any investments in or loans and

advances to, other 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) obligations or securities of a Subsidiary or a corporation which immediately after such purchase or acquisition will be a Subsidiary, (vi) stock or securities received in settlement of debts owing to the Guarantor or any Subsidiary not exceeding \$5,000,000.00, including receivables arising from the sale of goods and services in the ordinary course of business of the Guarantor and its Subsidiaries, (vii) travel or like advances to officers and/or employees in the ordinary course of business and loans to officers and/or employees made on or before May 24, 1991 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 all such travel or like advances and loans not exceeding \$10,000,000.00 in the aggregate, (viii) not more than 1,940,000 shares of the common stock of General Host Corporation, a New York corporation, plus any additional shares 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, (ix) any loans or guaranties made by the Guarantor or any of its Subsidiaries to or for the benefit of Sunbelt or any of its Subsidiaries not exceeding an aggregate principal amount of \$12,000,000 at any one time outstanding, (x) any loan participation program(s) for a period not to exceed seven (7) days with credit risk to companies with long-term debt rating by Standard & Poor's or Moody's of not less than single A, (xi) 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 \$6,500,000 at any one time outstanding, and (xii) 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.

4.

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

(ii) Funded Debt -- Other than for the Guaranteed Debt by the Guarantor or any of its Subsidiaries described in subsection (ix) of the definition of "Restricted Investments" in Section 3 hereof (the "Sunbelt Debt Guarantee"), create, incur, assume or suffer to come into existence any additional Funded Debt unless after giving effect thereto (i) Senior Funded Debt is less than 50% of Consolidated Net Tangible Assets and (ii) all Funded Debt in the aggregate is less than sixty percent (60%) of Consolidated Net Tangible Assets. With respect to Subsidiaries which are not Guarantors, create, incur, assume or suffer to come into existence any additional Funded Debt by such Subsidiaries unless after giving effect thereto all Funded Debt by such Subsidiaries in the aggregate is less than 70% of Consolidated Net Tangible Assets of such Subsidiaries. As used in this paragraph 8(ii), (A) prior to demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Senior Funded Debt) shall only include the Guaranteed Debt of Sunbelt to the extent the aggregate amount of such Guaranteed Debt of Sunbelt exceeds the sum of Sunbelt's Cash Equivalents, and (B) from and after demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Senior Funded Debt) shall include such Guaranteed Debt of Sunbelt.

5.

Section 8(e) of the Lease Guarantee is amended to read in its entirety as follows:

(e) Investments. Make or permit any of its Subsidiaries to make any Investment, except (i) purchases of majority of the outstanding stock of any corporation, (ii) Investments in Guarantor, any of its Subsidiaries, or any Person that is wholly-owned by Guarantor and/or its Subsidiaries,

not to exceed in the aggregate twenty-five million dollars (\$25,000,000) (iii) Investments in Cash Equivalents or readily marketable securities having a quoted market value, (iv) Investments in Persons to the extent permitted by Section 8(c) hereof, (v) Investments in 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 under this subsection (v) shall not exceed \$75,000,000 in the aggregate, (vi) loans or advances to employees in the ordinary course of business that do not exceed \$5,000,000 in the aggregate, (vii) any loan or guaranties made by Guarantor or any of its Subsidiaries to or for the benefit of Sunbelt or any of its Subsidiaries not exceeding an aggregate principal amount of \$12,000,000 at any one time outstanding, (viii) any loans or guaranties made by Guarantor or any of its Subsidiaries to or for the benefit of Pier Retail Group Limited not exceeding an aggregate principal amount of \$6,500,000 at any one time outstanding, (ix) any stock or securities of Sunbelt which Guarantor or any of its Subsidiaries acquires through foreclosure of any lien or security interest held by Guarantor or any of its Subsidiaries on such stock or securities, and (x) loan participation programs for a period not to exceed seven days with credit risk to companies with long-term debt rating by Standard Poor's or Moody's of not less than single A.

6.

Section 8(g) of the Lease Guarantee is amended to read in its entirety as follows:

(g) Guaranteed Debt. Create, assume or suffer to exist or permit any of its Subsidiaries to create, suffer or exist any Guaranteed Debt except (i) Guaranteed Debt in existence on the date hereof, (ii) Guaranteed Debt that is secured by assets of the primary obligor having a fair market value at least equal to the amount of such Guaranteed Debt, as determined by an independent qualified appraiser selected by Guarantor (which appraisal, at Lessor's or any Subsequent Holder's reasonable request and at Lessor's expense, shall be promptly updated, but such request shall not be made more often than once every 12 months), and (iii) Guaranteed Debt of Guarantor or a Subsidiary on the consolidated balance sheet of Guarantor and its Subsidiaries; provided, however, that in no event shall the aggregate amount of all consolidated Guaranteed Debt (other than the Guaranteed Debt described in (iii) above) of Guarantor and its Subsidiaries exceed the Consolidated Tangible Net Worth, (iv) the Sunbelt Debt Guarantee and (v) any Guaranteed Debt by Guarantor or any of its Subsidiaries described in subsection (xi) of the definition of "Restricted Investments" in Section 3 hereof.

7.

The effectiveness of this First Amendment is subject to the conditions precedent that the Lessor shall have received Officers' Certificates, dated the date hereof, certifying inter alia:

(a) a true and correct copy of the resolutions adopted by the Board of Directors or Executive Committees of Guarantor;

(b) the incumbency and specimen signatures of the Persons executing any documents on behalf of each of the Guarantors;

(c) the truth as of the date first written above of the representations and warranties made by Guarantors in the Lease Guarantee, as amended hereby; and

(d) the absence of the occurrence and continuance of any Default or Event of Default after giving effect to this First Amendment.

8.

Except as amended above, the Lease Guarantee is ratified and confirmed and shall remain in full force and effect.

9.

This First Amendment to Lease Guarantee shall be binding upon and inure to the benefit of the parties and their successors and assigns.

THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Lease Guarantee 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

Agreed and Accepted as of
the date first above written:

ASSIGNEE:

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

By: _____
Terry R. Dallas,
Senior Vice President

SECOND AMENDMENT TO LEASE GUARANTEE

This Second Amendment to Lease Guarantee (hereinafter referred to as "this Amendment") is entered into as of the 25th day of February, 1994, among 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 by Pier Lease, Inc., a Delaware corporation, and by Pier 1 Imports (U.S.), Inc., a Delaware corporation;

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

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. Subsection (v) of Section 8(d) of the Lease Guarantee is hereby amended to read as follows:

(v) Maintenance of Fixed Charge Coverage -- Permit the ratio of Cash Flow Available for Fixed Charges to Fixed Charges, to be determined on the last day of each fiscal quarter for the preceding 12 months, to be less than (i) 1.3 to 1 for each of the fiscal quarters ending during the period from the date of this Guarantee through February 27, 1993, (ii) 1.4 to 1 for each of the fiscal quarters ending during the period from February 28, 1993, through February 25, 1994, (iii) 1.2 to 1 for each of the fiscal quarters ending during the period from February 26, 1994, to November 30, 1994, and (iv) 1.25 to 1 for each fiscal quarter ending thereafter.

2. Except as herein specifically amended and modified the Lease Guarantee and First Amendment is unchanged and continues in full force and

effect.

3. Guarantor hereby consents and agrees to this Amendment and the Guarantor hereby confirms and ratifies the Lease Guarantee's and First Amendment's existence 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.

4. This 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.

5. The Lease Guarantee, First Amendment and this Amendment constitute a "Loan Agreement" as defined in Section 26.02(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 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 first above written:

ASSIGNEE:

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

By: _____
Name: _____
Title: _____

LEASE GUARANTEE

THIS LEASE GUARANTEE is made and entered into this 30th day of December 1992 between PIER 1 IMPORTS, INC., a Delaware corporation (the "Guarantor"), and 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, Lessor has entered into and will continue to enter into lease agreements (collectively, the "Lease Agreements," whether now or hereafter in effect), from time to time with Wolfe Nursery, Inc., a Delaware corporation and an affiliate of Guarantor, (hereinafter referred to as the "Lessee"); and

WHEREAS, the Lease Agreements have been and will be entered into by Lessor and Lessee with respect to land and improvements which have been and are to be financed or refinance pursuant to the terms of a certain Restated Revolving Credit Agreement dated December 30, 1992 (the "Credit Agreement") among Lessor, the Banks (as defined herein) and First Interstate Bank of Texas, N.A., as agent; and

WHEREAS, in consideration of Lessor entering into Lease Agreements from time to time with Lessee, Guarantor has agreed to guarantee the full payment and performance when due of all rent, indebtedness, and obligations now or hereafter existing or owing to Lessor by any Lessee pursuant to the Lease Agreements.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, Lessor and Lessee hereby agree as follows

1. Guarantee for value received, and in consideration of Lessor entering into Lease Agreements from time to time (whether now or hereafter in effect) with Lessee, Guarantors do hereby jointly, severally and unconditionally guarantee the full payment and performance when due, whether at the stated due date, by acceleration or otherwise, of any and all rent, indebtedness, obligations and other amounts of every kind, howsoever created, arising, or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing or owing to Lessor by any Lessee pursuant to the Lease Agreements (all such indebtedness and obligations being hereinafter collectively called the "Obligations"). Guarantors hereby agree that upon any default by the Lessee in the payment or performance of any of the Obligations when and as due, the Guarantors will forthwith pay and/or perform the same immediately upon demand and without notice.

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 or the rejection of the Lease Agreements in bankruptcy, and notwithstanding any claim, defense (other than payment by the Guarantor) or right of set-off which the Lessee or either of the Guarantors 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 Guarantors agree 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.

3. Definitions. Unless otherwise indicated, capitalized terms used herein and not defined below shall have the respective meanings given to them

in the Lease Agreements. In addition to the definitions provided in the Lease Agreements, the following words and terms shall have the meanings indicated below:

"Affiliate" of any designated Person means any Person that has a relationship with the designated Person whereby either of such Persons directly or indirectly controls or is controlled by or is under common control with the other, or holds or beneficially owns five percent (5%) or more of any class of voting securities of the other. For this purpose, "control" means the power, direct or indirect, of one Person to direct or cause direction of the management and policies of another, whether by contract, through voting securities or otherwise. Notwithstanding the foregoing, no Person shall be deemed to be an Affiliate of another solely by reason of such Person's being a participant in a joint operating group or joint undivided ownership group.

"Agent" shall mean First Interstate Bank of Texas, N.A., a national banking association, or any successor agent under the Credit Agreement.

"Banks" shall mean First Interstate Bank of Texas, N.A. and the other banks named in Section 2.01 of the Credit Agreement, as such Credit Agreement may be amended, modified or supplemented from time to time. "Bank" shall mean any of such Banks.

"Capitalized Lease Obligations" shall mean any rental obligation which, under GAAP, is or will be required to be capitalized on the books of the Guarantor or any Subsidiary, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with such principles.

"Cash Equivalents" shall mean any investments permitted under (i), (ii), (iii), or (iv) of the definition of Restricted Investments and cash.

"Cash Flow Available for Fixed Charges" shall mean the sum of Consolidated Net Income plus depreciation and amortization plus interest expense plus taxes plus operating lease expense, as determined in accordance with GAAP, less Maintenance Capital Expenditures for the Guarantor on a Consolidated basis.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Consolidated" shall mean the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person's Consolidated financial statements, financial position, financial condition, liabilities, etc., refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

"Consolidated Current Assets" shall mean the current assets of the Guarantor and its Subsidiaries as determined on a Consolidated basis in accordance with GAAP.

"Consolidated Current Liabilities" shall mean the current liabilities of the Guarantor and its Subsidiaries as determined on a Consolidated basis in accordance with GAAP.

"Consolidated Funded Debt" shall mean Funded Debt of the Guarantor and its Subsidiaries.

"Consolidated Net Income" shall mean (i) for purposes of calculating Cash Flow Available for Fixed Charges, Consolidated gross revenues of the Guarantor less all operating and non-operating expenses of the Guarantor, including all write-downs of assets and other charges of a proper character (including, without limitation, current and deferred taxes on income, provision for taxes on unremitted foreign earnings which are included in gross revenues, and current additions to reserves), but not including in gross revenues any gains (net of expenses and taxes applicable thereto) in excess of losses resulting from the sale, conversion or other disposition of capital assets (i.e., assets other than current assets), any gains or losses arising from the acquisition of outstanding debt securities of the Guarantor or any Subsidiary, any gains resulting from the write-up of assets, any equity of the Guarantor or any Subsidiary in the undistributed earnings of any Person which is not a Subsidiary, or any portion of the net income of any Subsidiary which for any reason is unavailable for payment of dividends to the Guarantor or to another Subsidiary, or any earnings of any Person acquired by the Guarantor or any Subsidiary through purchase, merger,

consolidation or otherwise for any year prior to the year of acquisition, merger or consolidation, or any deferred credits representing the excess of any equity in any Subsidiary at the date of acquisition over the cost of investment in such Subsidiary, all determined in accordance with GAAP, and (ii) for all other purposes, net income of the Guarantor and its Subsidiaries as determined on a Consolidated basis in accordance with GAAP.

"Consolidated Net Tangible Assets" shall mean all of the assets of the Guarantor and its Subsidiaries less Intangible Assets, Consolidated Current Liabilities, long term liabilities (other than Funded Debt and Capitalized Lease Obligations) and all deferrals of the Guarantor and its Subsidiaries.

"Consolidated Tangible Assets" shall mean all of the assets of Guarantor and its Subsidiaries less Intangible Assets.

"Consolidated Tangible Net Worth" shall mean the sum of consolidated capital, surplus, and retained earnings of the Guarantor less Intangible Assets of the Guarantor, determined in accordance with GAAP.

"Credit Agreement" shall mean that certain Restated Revolving Credit Agreement of even date herewith between Pier Group, Inc., Agent and the Banks.

"Debt" shall mean with respect to any Person, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) all obligations under leases which shall have been or should be, in accordance with GAAP, recorded as Capitalized Lease Obligations in respect of which such Person is liable as lessee, and (iii) any other indebtedness required to be recorded on the Consolidated financial statements of such Person in accordance with GAAP. Any changes in GAAP requiring operating leases to be included as indebtedness in the Consolidated financial statements of the Guarantor will be effective, for purposes of determining Debt hereunder, only for leases entered into or renewed after the date of the required implementation of such changes in GAAP.

"Default" means the occurrence of any event which, with the lapse of time, notice or otherwise, would constitute an event specified under Section 14(a) of this Guarantee or (ii) constitute a default or an event of default under any instrument securing or evidencing any Debt of the Guarantor or any of its Subsidiaries.

"Environmental Laws" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. Section 1801 et seq.), the Recourse Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), and the Occupational Safety and Health Act (29 U.S.C. Section 651 et seq.), as such laws have been or hereafter may be amended or supplemented, and any and all analogous future federal, or present and future state or local laws, and similar laws of jurisdictions other than the United States, to which Guarantor or any of its Subsidiaries or any of its or their properties are subject.

"ERISA" shall have the meaning given in Section 6(h) hereof.

"FDIC" shall mean the Federal Deposit Insurance Corporation (or any successor).

"Fixed Charges" means the sum of payments under operating leases and interest during the preceding 12-month period, as determined in accordance with GAAP, for the Guarantor and its Subsidiaries on a Consolidated basis.

"Funded Debt" shall mean, for Guarantor on a Consolidated basis, Debt (including Guaranteed Debt and current maturities of "Funded Debt," as defined herein) which (i) matures more than one (1) year from the date of its determination or matures within one year from such date but is renewable or extendable, at the option of the debtor, to a date more than one year from such date, or (ii) arises under a revolving credit or similar agreement which obligates the lender or lenders to extend credit during a period of more than one year from such date; provided, however, that merchandise letters of credit and bankers acceptances and similar credit instruments shall not be deemed to be "Funded Debt" unless they have a stated maturity of more than one (1) year, notwithstanding that the debtor may have the option to renew or extend such maturity.

"GAAP" shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Account Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to circumstances as of the date of determination.

"Guarantee" shall mean this Lease Guarantee and all amendments, modification, substitutions, and ratifications hereto.

"Guaranteed Debt" shall mean, with respect to any Person, without duplication, all Debt of another Person referred to in clause (i), (ii) or (iii) of the definition of "Debt" guaranteed directly or indirectly in any manner by such Person or in effect guaranteed directly or indirectly in any manner by such Person.

"Guarantor" shall mean Pier 1 Imports, Inc., a Delaware corporation.

"Guarantors" shall mean Pier 1 Imports, Inc. and Pier 1 Imports (U.S.), Inc., a Delaware corporation.

"Intangible Assets" shall mean goodwill, patents, trade names, trademarks, copyrights, franchises, experimental expense, organizational expense, unamortized debt discount and expense, the excess of cost of shares acquired over book value of related assets and such other assets as are properly classified as "intangible assets" in accordance with GAAP, but in no event shall Intangible Assets include (i) current prepaid expenses of the Guarantor or its Subsidiaries or (ii) receivables of any kind of the Guarantor or its Subsidiaries.

"Interest Expense" of a Person means interest payable on Indebtedness for each fiscal quarter.

"Investment" shall mean any direct or indirect purchase or other acquisition of, or a beneficial interest in, capital stock or other securities of any other Person, or any direct or indirect loan, advance (other than advances to employees for moving and travel expenses, drawing accounts and similar expenditures in the ordinary course of business) or capital contribution to or investment in any other Person, including without limitation the incurrence or sufferance of Debt or accounts receivable of any other Person which are not current assets or do not arise from sales to that other Person in the ordinary course of business.

"Investment Securities" shall mean (i) U.S. government obligations, (ii) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any agency or instrumentality of the United States of America acting pursuant to authority granted by the Congress of the United States of America, (iii) Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances (in each case, having maturities not in excess of one year) of any bank the short-term unsecured debt obligations of which are rated by Standard & Poors Corporation in the highest category for short-term obligations, and (iv) certificates of deposit and time deposits which are fully insured as to principal and interest by the Federal Deposit Insurance Corporation.

"Law" shall mean all statutes, laws, ordinances, rules, regulations, orders, writs, injunctions or decrees of any Tribunal.

"Lease Agreements" shall have the meaning given in Section 1 hereof.

"Lessee" shall have the meaning given in Section 1 hereof.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, including without limitation, any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement or other similar form of public notice under the Laws of any jurisdiction.

"Maintenance Capital Expenditures" shall mean, for any fiscal quarter, an amount equal to the greater of (i) the product of four thousand five hundred (\$4,500.00) times the average number of retail stores of the Guarantor on a Consolidated basis open during the four immediately preceding fiscal quarters

or (ii) actual capital expenditures incurred by the Guarantor on a Consolidated basis during such fiscal quarter for the maintenance and improvement of its retail stores (other than capital expenditures incurred in connection with new store openings).

"Material Adverse Effect" shall mean any act, circumstance, or event that (i) causes or reasonably could be expected to cause a Default under this Guarantee or an Event of Default under the Credit Agreement, or (ii) is or might be material and adverse to the financial condition or business operations of the Guarantor and its Subsidiaries on a consolidated basis.

"Obligations" shall have the meaning given in Section 1 hereof.

"Officer's Certificate" shall mean a certificate signed in the name of Guarantor by its Chief Executive Officer, President, one of its Executive Vice Presidents, its Chief Financial Officer, or its Comptroller.

"Operating Cash Flow" of a Person means the Consolidated Net Income from continuing operations of such Person, determined in accordance with GAAP, for the four fiscal quarters immediately preceding the date of determination, prior to the payment or provision for payment of state and federal taxes, plus (i) depreciation, (ii) amortization, and (iii) interest payable on Indebtedness for the four fiscal quarters immediately preceding the date of determination.

"Operating Lease Expense" shall mean all rental expenses of the Guarantor relating to real estate, but specifically excluding any rental expense of the Guarantor relating to equipment.

"PBGC" shall have the meaning given in Section 6(i) hereof.

"Person" shall mean an individual, partnership, joint venture, corporation, trust, Tribunal, unincorporated organization or government or any department, agency or political subdivision thereof.

"Plan" shall have the meaning given in Section 6(i) hereof.

"Restricted Investments" shall mean any investments in or loans and advances to, other 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) obligations or securities of a Subsidiary or a corporation which immediately after such purchase or acquisition will be a Subsidiary, (vi) stock or securities received in settlement of debts owing to the Guarantor or any Subsidiary not exceeding \$5,000,000.00, including receivables arising from the sale of goods and services in the ordinary course of business of the Guarantor and its Subsidiaries, (vii) travel or like advances to officers and/or employees in the ordinary course of business and loans to officers and/or employees made on or before May 24, 1991 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 all such travel or like advances and loans not exceeding \$10,000,000.00 in the aggregate, (viii) any stock or securities of Sunbelt (but no permission is hereby granted for the acquisition by the Guarantor of any additional stock or securities shares of Sunbelt), (ix) any loans made or deemed to be made by the Guarantor to Sunbelt as a result of the Guarantor's payment of any portion of the Guaranteed Debt of Sunbelt guaranteed by the Sunbelt Debt Guarantee and (x) any loan participation program(s) for a period not to exceed seven (7) days with credit risk to companies with long-term debt rating by Standard Poor's of Moody's if not less than single A.

"Restricted Payment" shall have the meaning given in Section 8(c) hereof.

"Secured Debt" shall mean all indebtedness for borrowed money, including indebtedness evidenced by a bond, debenture, note or similar document, which is secured by a lien on any assets of the Guarantor or any Subsidiary or any shares of stock or Debt of any Subsidiary.

"Senior Funded Debt" shall mean the Notes and Funded Debt which by its terms is not subordinated in right of payment to the Notes. For the purposes of this definition of Senior Funded Debt, the term "Notes" shall have the

meaning ascribed to that term in the Teachers Agreement.

"Short Term Debt" means, for the Guarantor on a Consolidated basis, Debt (including Guaranteed Debt) which matures within one (1) year from the date of determination thereof. Short Term Debt shall not include current maturities of Funded Debt.

"Significant Subsidiary" shall mean, at any time, any Subsidiary of the Guarantor which either (i) contributed during the most recent fiscal year of the Guarantor more than five percent (5%) of the Consolidated gross revenues of the Guarantor for such period, (ii) contributed during the most recent fiscal year of the Guarantor more than five percent (5%) of the Consolidated Net Income of the Guarantor for such period or (iii) owns more than five percent (5%) of the fair market value of the Consolidated Tangible Assets of the Guarantor. Notwithstanding the foregoing, if at any time all Subsidiaries of the Guarantor not meeting the above definition of "Significant Subsidiary" and taken in the aggregate shall either (i) contribute during the most recent fiscal year of the Guarantor more than twenty-five percent (25%) of the Consolidated gross revenues of the Guarantor for such period, (ii) contribute during the most recent fiscal year of the Guarantor more than twenty-five (25%) of the Consolidated Net Income of the Guarantor for such period or (iii) own more than twenty-five percent (25%) of the fair market value of the Consolidated Tangible Assets of the Guarantor, then so long as such situation continues all Subsidiaries of the Guarantor shall be deemed to be "Significant Subsidiaries."

"Subsequent Holder" shall mean the Agent, for the benefit of Agent and Banks, or any of the Agent's Subsidiaries or other Affiliates which is a direct or indirect transferee of the rights, interests and/or benefits of the Lessor under this Guarantee.

"Subsidiary" shall mean, as to any particular parent corporation, any corporation more than fifty percent (by number of votes) of the Voting Stock shall be owned by such parent corporation and/or one or more corporations which themselves have more than fifty percent (by number of votes) of their Voting Stock owned by such parent corporation. As used herein, the term "Subsidiary" shall mean a "subsidiary" of Guarantor.

"Sunbelt" shall mean Sunbelt Nursery Group, Inc., a Delaware corporation.

"Taxes" shall mean all taxes, assessments, fees and other charges at any time imposed by any Laws or Tribunal.

"Teachers Agreement" shall mean that certain Note Purchase Agreement dated as of May 24, 1991 executed by and between the Guarantor and Teachers Insurance Annuity Association of America, as amended from time to time, pursuant to which the Guarantor has issued the Notes referred to in the definition of Senior Funded Debt contained herein.

"Total Costs" shall mean the sum of the amounts paid by Lessor and not reimbursed by Lessee, as of the applicable date as set forth in and defined as "the Total Cost" in the Lease Agreements.

"Tribunal" shall mean any municipal, state, commonwealth, federal, foreign, territorial or other court, governmental body, subdivision, agency, department, commission, board or bureau or instrumentality.

"Voting Stock" shall mean, with respect to any Subsidiary, any shares of any class of stock of such Subsidiary having general voting power under ordinary circumstances to elect a majority of the Board of Directors of such Subsidiary irrespective of whether at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency.

"Wolfe" shall mean Wolfe Nursery, Inc., a Delaware corporation.

4. Guarantee Not Affected by Change in Security or Other Actions. Lessor may, from time to time, without the consent of or notice to either of the Guarantors, take any or all of the following actions without impairing or affecting the Guarantors' obligations under this Guarantee or releasing or exonerating either of the Guarantors from any liability hereunder:

(a) retain or obtain a security interest in any property to secure any of the Obligations or any obligation hereunder:

(b) retain or obtain the primary or secondary liability of any party or parties, in addition to the undersigned Guarantor, with respect to any of the Obligations;

(c) extend the time or change the manner, place or terms of payment of, or renew or amend the Lease Agreements, any note or other instrument executed in connection with or evidencing the Obligations or any part thereof, or amend in any manner any agreement relating thereto;

(d) release or compromise, in whole or in part, or accept full or partial payment for, any of the Obligations hereby guaranteed, or any liability of any nature of any other party or parties with respect to the Obligations or any security therefor;

(e) subordinate the payment of all or any part of the Obligations to the payment of any liability of the Lessee to creditors of the Lessee other than Lessor or the Guarantor;

(f) enforce Lessor's security interest, if any, in all or any properties securing any of the Obligations or any obligations hereunder in order to obtain full or partial payment of the Obligations then outstanding;

(g) release or fail to perfect, protect, or enforce Lessor's security interest, if any, in all or any properties securing any of the Obligations or any obligation hereunder, or permit any substitution or exchange for any such property; and

(h) take or fail to take any other action of whatever kind or character with respect to the Obligations, the Lease Agreements or any other document or instrument, it being the intention of each of the Guarantors that it shall remain liable as primary obligor for the Obligations notwithstanding any act, omission or thing which might, but for the provisions hereof, otherwise operate as a legal or equitable discharge of any guarantor.

5. Waivers. The Guarantors hereby expressly waive:

(a) notice of acceptance of this Guarantee;

(b) notice of the existence or incurrence of any or all of the Obligations;

(c) presentment, demand, notice of dishonor, notice of intent to accelerate, notice of acceleration, protest, and all other notices whatsoever;

(d) any requirement that proceedings first be instituted by Lessor against the Lessee;

(e) all diligence in collection or protection of or realization upon the Obligations or any part thereof, or any obligation hereunder, or any collateral for any of the foregoing;

(f) any rights or defenses based on the Lessor's election of remedies, including any defense to the Lessor's action to recover any deficiency after a non-judicial sale;

(g) the occurrence of every other condition precedent to which either of the undersigned Guarantors might otherwise be entitled; and

(h) any right to require Lessor to marshal assets.

6. Representations, Warranties and Agreements of the Guarantor. The Guarantor represents and warrants to Lessor and any Subsequent Holder that:

(a) The Guarantors (i) have been duly incorporated and are validly existing as a corporation in good standing under the laws of the State of Delaware, (ii) have full corporate power and authority to own and operate their respective properties and to conduct its business as presently conducted, and full corporate power, authority and legal right to execute, deliver and perform its obligations under this Guarantee and any consent executed in connection herewith, (iii) are duly qualified to do business as a foreign corporation in good standing in each jurisdiction, including, without limitation, the State of Texas, in which its ownership or leasing of properties or the conduct of its business requires such qualification and where non-qualification, singly or in the aggregate, would materially

adversely affect the financial condition or creditworthiness of either of the Guarantors, or would impair the ability of either of the Guarantors to perform its obligations under this Guarantee, and (iv) all of the issued and outstanding voting stock of Pier 1 Imports (U.S.), Inc. is owned by CMEI, Inc., a Georgia corporation, all the issued and outstanding stock of which is owned by Guarantor.

(b) This Guarantee has been duly authorized, executed and delivered by each of the Guarantors and is a legal, valid and binding obligation of each of the Guarantors, enforceable according to its terms.

(c) The execution, delivery and performance by the Guarantors of this Guarantee will not result in any violation of any term of the certificate of incorporation or the bylaws of either of the Guarantors, do not require stockholder approval or the approval or consent of any trustee or holders of Debt of either of the Guarantors except such as have been obtained prior to the date hereof, and will not conflict with or result in a breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien upon, any property or assets of the Guarantor under, any indenture, mortgage or other agreement or instrument to which either of the Guarantors is a party or by which it or any of its property is bound where breach or default, singly or in the aggregate, could have a Material Adverse Effect or violate any existing applicable Law, or any judgment, order or decree of any Tribunal having jurisdiction over the Guarantor or any of its activities or properties.

(d) There are no consents, licenses, orders, authorizations or approvals of, or notices to or registrations with any Tribunal or other Person which are required in connection with the valid execution, delivery and performance of, this Guarantee that have not been obtained or made, and any such consents, licenses, orders, authorizations, approvals, notices and registrations that have been obtained or made are in full force and effect.

(e) Except as disclosed in writing to Lessor by the Guarantors concurrently herewith, there is no action, suit, proceeding or investigation at law or in equity by or before any court, governmental body, agency, commission or other Tribunal now pending or, to the best knowledge of the Guarantors after due inquiry, threatened against or affecting either of the Guarantors or any property or rights of either of the Guarantor as to which there is a significant possibility of an adverse determination, and which if adversely determined, may have a Material Adverse Effect or which, if adversely determined could materially impair the ability of either of the Guarantors to perform its obligations under this Guarantee, and there is no action, suit, proceeding or investigation at law or in equity by or before any court, governmental body, agency, commission or other Tribunal now pending or, to the best knowledge of the Guarantor after due inquiry, threatened which questions or would question the validity of this Guarantee.

(f) The consolidated balance sheets of the Guarantor and its Subsidiaries as of February 28, 1992 and the related consolidated statements of income and retained earnings of the Guarantor and its Subsidiaries for the fiscal year then ended, reported on by its independent public accountants, and the consolidated balance sheets of the Guarantor and its Subsidiaries for the three-month period ending August 29, 1992 and related consolidated statements of income and retained earnings of the Guarantor and its Subsidiaries for the period then ended fairly present the consolidated financial condition and the results of operations of the Guarantor and its Subsidiaries for the periods ending on such date all in accordance with GAAP, and since the dates thereof there has been no material adverse change in such condition or operations.

(g) Neither of the Guarantors is in default under or with respect to any agreement or other instrument to which it is party or by which it or its assets may be bound which could have a Material Adverse Effect. Neither of the Guarantors is subject to or in default under any order, award or decree of any court, arbitrator, or other governmental authority binding upon or affecting it or by which any of its assets may be bound or affected which could have a Material Adverse Effect.

(h) The Guarantors have filed or caused to be filed all tax returns which to the knowledge of each of the Guarantors are required to be filed, and has paid all Taxes shown to be due and payable on said returns or on any assessments made against it, except for (i) returns which have been appropriately extended and (ii) Taxes, the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the

books of the Guarantor, as the case may be.

(i) The Guarantors and each of their Subsidiaries are in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Code, and the rules and regulations thereunder insofar as ERISA, the Code and such rules and regulations relate to any employee benefit plan as defined in Section 3(3) of ERISA. No employee benefit plan (as defined in Section 3(2) of ERISA) maintained by the Guarantor or any of its Subsidiaries for its employees and covered by ERISA (a "Plan") had an "accumulated funding deficiency," within the meaning of said term under Section 302 of ERISA, as of the last day of the most recent fiscal year of such Plan, and neither the Guarantor nor any Subsidiary has incurred with respect to any Plan any liability to the Pension Benefit Guaranty Corporation ("PBGC") which is material to the consolidated financial condition of the Guarantor or any Subsidiary. For the purpose of this paragraph, the term "Subsidiary" shall include a Controlled Group of Corporations as that term is defined in Section 1563 of the Code or Section 4.001 of ERISA.

(j) The financial statements of the Guarantor and its Subsidiaries furnished to the Lessor on or before the date hereof have been prepared in accordance with GAAP and fairly present the financial condition of the Guarantor as of the date thereof. Since the date of such financial statements there has been no material adverse change in the financial condition or business of the Guarantor which would impair the ability of the Guarantor to perform its obligations hereunder.

7. Affirmative Covenants. The Guarantor covenants and agrees that, so long as any part of the Obligations shall remain unpaid or the Lessee shall have any commitment or obligation under the Lease Agreements, the Guarantor will, unless Lessor shall otherwise consent in writing:

(a) Financial Statements. Deliver to the Lessor or any Subsequent Holder, as appropriate, in duplicate:

(i) Quarterly Statements: as soon as practicable and in any event within 60 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, a Consolidated statement of operations, a Consolidated statement of changes in financial position of the Guarantor, and a Consolidated balance sheet of the Guarantor as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and prepared by an authorized financial officer of the Guarantor.

(ii) Annual Statements: as soon as practicable and in any event within 100 days after the end of each fiscal year, a Consolidated statement of operations, and a Consolidated statement of changes in financial position of the Guarantor for such year, and a Consolidated balance sheet of the Guarantor as at the end of such year, setting forth in each case in comparative form corresponding Consolidated figures from the preceding year, all in reasonable detail and satisfactory in scope to Lessor or any Subsequent Holder, together with an opinion by independent public accountants of recognized standing selected by the Guarantor, whose opinion shall (a) state that such financial statements have been prepared in accordance with GAAP and fairly present the Consolidated financial position of the Guarantor as of the date thereof and the Consolidated results of their operations for the period thereof, (b) state that their audit examination has included a review of the terms of this Guarantee as it relates to accounting matters, and (c) state whether, in the course of their audit examination, they obtained knowledge (and state whether they have knowledge of the existence as of the date of such written statement) of any condition or event which constitutes a Default, and if so, specifying the nature and period of existence thereof (notwithstanding the foregoing, the opinion of the Guarantor's independent public accountants need not contain the statements otherwise required by clauses (b) and (c) of this subparagraph (ii) so long as the Guarantor is a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended);

(iii) SEC and Other Reports: promptly upon transmission thereof, copies of all such financial statements, proxy statements, notices and reports as Guarantor shall send to its public security holders and copies of all registration statements (without exhibits) and all reports which it files with the Securities and Exchange Commission (or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission);

(iv) Audit Reports: promptly upon receipt thereof, a copy of each other report submitted to the Guarantor or any Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of the Guarantor or any Subsidiary (other than any "management letters" delivered to the Guarantor by such accountants, which management letters shall only be delivered to Lessor or any Subsequent Holder upon such Person's prior request);

(v) Other Notices: promptly upon the occurrence thereof, notice of any of the following: (a) the occurrence of any condition or event which constitutes a Default or an Event of Default, specifying the nature and period of existence thereof, (b) that any Person has given any notice to the Guarantor or any Subsidiary or taken any action with respect to a claimed Default, or (c) that any Person has given any notice to the Guarantor or any Subsidiary or taken any other action with respect to a claimed default or event of default with respect to any other indebtedness which in the aggregate exceeds the sum of three million dollars (\$3,000,000) and, with respect to any of such events specified in subdivisions (a), (b) or (c) above of this clause (v), what action the Guarantor or such Subsidiary has taken, is taking or proposes to take;

(vi) ERISA Events: promptly upon any officer of the Guarantor obtaining knowledge of the occurrence thereof, notice of the occurrence of any (a) "reportable event," as such term is defined in section 4043 of ERISA, or (b) "prohibited transaction," as such term is defined in section 4975 of the Code, in connection with any Plan or any trust created thereunder, specifying the nature thereof, what action the Guarantor or its Subsidiary has taken, is taking or proposes to take with respect thereto, and, when known, any action taken or threatened by the Internal Revenue Service or the Pension Benefit Guaranty Corporation with respect thereto; provided that with respect to the occurrence of any "reportable event" as to which the Pension Benefit Guaranty Corporation has waived the 30-day reporting requirement, such written notice need be given only at such time as notice is given to the Pension Benefit Guaranty Corporation; and with reasonable promptness, such other financial data or other data or information related to the business or operations of the Guarantor or its Subsidiaries as the Lessor or any Subsequent Holder may reasonably request. The Lessor agrees that Lessor or any Subsequent Holder will not intentionally disclose any information given to Lessor by the Guarantor or any of its Subsidiaries which is either proprietary or confidential and which is prominently marked as such; provided, however, that this restriction shall not apply to information which has at the time in question entered the public domain, nor will this restriction prohibit Lessor or any Subsequent Holder from disclosing such information (a) as is required to be disclosed by Law or by any order, rule or regulation (whether valid or invalid) of any Tribunal, (b) to Lessor's or any Subsequent Holder's auditors, examiners, attorneys, or agents, or (c) to purchasers or prospective purchasers or assignees of interests in the Obligations.

Together with each delivery of financial statements required by clause (i) above, the Guarantor will deliver to Lessor or any Subsequent Holder an Officer's Certificate demonstrating (with computations in reasonable detail) compliance by the Guarantor and its Subsidiaries with the provisions of Sections 8(a), 8(b), 8(c), 8(d) (i) (g), 8(d) (ii), 8(d) (iii), 8(d) (iv) 8(d) (v), 8(d) (vi), and 8(d) (vii) and stating that there exists no Default with respect to such covenants or otherwise under this Guarantee or, if any Default exists with respect to such covenants or under this Guarantee, specifying the nature and period of existence thereof and what action the Guarantor promises to take with respect thereto. Together with each delivery of financial statements required by clause (ii) above, the Guarantor will deliver to the Lessor or any Subsequent Holder an Officer's Certificate of the Treasurer or Chief Financial Officer of Guarantor demonstrating (with computations in reasonable detail) compliance by the Guarantor and its Subsidiaries with the provisions of Sections 8(a), 8(b), 8(c), 8(d) (i) (g), 8(d) (ii), 8(d) (iii), 8(d) (iv) 8(d) (v), 8(d) (vi), and 8(d) (vii) and stating that there exists no Default with respect thereto or otherwise under this Guarantee or, if any Default exists with respect thereto or under this Guarantee, specifying the nature and period of existence thereof and what action the Guarantor proposes to take with respect thereto. By delivery of such Officer's Certificate, the officer executing such certificate represents and warrants that the statements made therein are based upon the level of investigation normally and customarily taken by Treasurers or Chief Financial Officers of similarly situated corporations of established reputation in performing their regular duties. In the event that a change(s) in GAAP related to the accounting for leases requires the Guarantor to use accounting principles for purposes of

determinations or computations under this Guarantee different than the Guarantor uses in its quarterly and annual financial statements, the Guarantor will, together with the delivery of financial statements required by clause (ii) above with respect to the fiscal year in which such change(s) in GAAP become applicable, deliver to the Lessor and any Subsequent Holder a certificate of such accountants stating that, in making the audit necessary to the certification of such financial statements, they have obtained no knowledge of any Default, or, if they have obtained knowledge of any Default, specifying the nature and period of existence thereof.

(b) Payment of Obligations; Maintain Books and Reserves. Duly and punctually pay the Obligations and duly and punctually perform all of its covenants, agreements, debts, duties and obligations in accordance with the terms of this Guarantee. Guarantor will, and will cause each of its Subsidiaries to, keep proper books of record and account and set aside appropriate reserves, all in accordance with GAAP.

(c) Inspection of Property. Permit any Person designated by Lessor or any Subsequent Holder, at the Lessor's or such Subsequent Holder's expense and with reasonable notice to the Guarantor, to visit and inspect any of the properties of the Guarantor and its Subsidiaries, to examine the corporate books and financial records of the Guarantor and its Subsidiaries and make copies thereof or extracts therefrom and to discuss the affairs, finances and accounts of any such corporations with officers and employees of the Guarantor and its independent public accountants, all at such reasonable times and as often as Lessor or any Subsequent Holder may reasonably request. Lessor agrees that Lessor will keep confidential any proprietary or confidential information given to Lessor by the Guarantor or its Subsidiaries upon the same terms and conditions as agreed to with respect to information Lessor has obtained pursuant to Section 7(a)(vii) hereof.

(d) Compliance with Laws, Etc. Comply and cause each of its Subsidiaries to comply, in all material respects with all applicable laws, rules, regulations and orders applicable to its business, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments, and governmental charges imposed upon it or upon its property, except to the extent contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP, and provided that Guarantor or its Subsidiary, as the case may be, retains good and marketable title to and the right to use and enjoyment of its properties or other assets which may be affected by any such contest. Guarantor will timely pay and will cause its Subsidiaries to timely pay, all payments due for labor, services and materials rendered or furnished in the ordinary course of business which are secured by inchoate statutory Liens, except to the extent contested in good faith by appropriate proceedings, and provided that the Guarantor or its Subsidiary, as the case may be, retains good and marketable title to and the right to the use and enjoyment of its properties or other assets which may be affected by any such contest. Guarantor will promptly notify the Lessor or any Subsequent Holder if the Guarantor receives any notice, claim or demand from any governmental agency which alleges that the Guarantor is in violation of any Laws or has failed to comply with any order issued pursuant to any federal, state or local statute regulating its operation and business, the result of which may have a Material Adverse Effect.

(e) Maintenance of Existence and Qualifications. Maintain and preserve and cause each of its Subsidiaries to maintain and preserve its corporate existence and its rights and franchises in full force and effect and obtain and maintain and cause its Subsidiaries to obtain and maintain all permits and licenses necessary to the proper conduct of its business, including without limitation qualifying to do business as a foreign corporation in all states or jurisdictions where required by applicable Law. Notwithstanding the foregoing, this Section 7(e) shall not prohibit any transaction expressly permitted by Section 8(d)(vi) and Section 8(d)(vii) of this Guarantee.

(f) Maintenance of Properties; Insurance. Maintain, preserve, protect, and keep and cause each of its Subsidiaries to maintain, preserve, protect and keep, all property used or useful in the conduct of its business in good condition and in compliance with all applicable Laws, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times. Guarantor will, and will cause each of its Subsidiaries, to carry and maintain in full force and effect at all times with financially sound and reputable insurers (or, in an insurance fund or by self-insurance authorized by the jurisdiction in which its operations

are carried on) insurance in such amounts (and with co-insurance and deductibles) as such insurance is usually carried by corporations of established reputation engaged in the same or similar businesses and similarly situated, and the Guarantor and its Subsidiaries shall maintain self-insurance only to the extent that a prudent corporation of established reputation engaged in the same or similar businesses and similarly situated would rely upon self-insurance.

(g) Primary Business. Continue to conduct, and cause each of its Subsidiaries to continue to conduct, substantially all of their respective operations in the same primary businesses as those in which they currently operate (i.e., developing, owning and operating, in the United States and Canada and in territories of the United States and Canada, (i) specialty retail stores offering primarily imported decorative home furnishings, accessories and other specialty items for the home and casual clothing and fashion accessories and (ii) retail stores offering primarily nursery and garden products).

(h) Transactions With Affiliates. Conduct and cause each Subsidiary to conduct all of their respective transactions with any Affiliate on an arm's length basis and pursuant to the reasonable requirements of Guarantor's and/or such Subsidiary's business.

(i) Compliance with Material Agreements. Guarantor will comply with all material agreements, indentures, mortgages or documents binding on it or affecting its properties or business where the failure to so comply would have a Material Advertise Effect.

(j) Operations and Properties. Guarantors will act prudently and in accordance with customary industry standards in managing or operating their respective assets, properties, business and investments; Guarantors will keep in good working order and condition, ordinary wear and tear excepted, all of their respective assets and properties which are necessary to the conduct of its business.

(k) Books and Records; Access. Upon prior written notice, Guarantors will give any representative of Lessor access during all business hours to, and permit such representative to examine, copy or make excerpts from, any and all books, records and documents in the possession of the Guarantors and relating to its affairs, and to inspect any of the properties of the Guarantors. Guarantors will maintain complete and accurate books and records of its transactions in accordance with good accounting practices.

(l) Additional Guaranty Agreement. If either of the Guarantors merges or consolidates with any entity which is owned or controlled by a corporation organized or incorporated in a jurisdiction outside of the United States of America (an "Offshore Company") or becomes a Subsidiary of an Offshore Company as a result of a reorganization or acquisition, Guarantors shall cause such Offshore Company to execute and deliver to Lessor and any Subsequent Holder, at the expense of the Guarantors, a lease guarantee in the form of this Lease Guarantee and an opinion of counsel in form satisfactory to Lessor or any Subsequent Holder at the time of such merger, consolidation, reorganization or acquisition.

(m) Additional Information. Guarantors shall promptly furnish to Lessor and any Subsequent Holder, at Lessor's request, such additional financial or other information concerning assets, liabilities, operations and transactions of Guarantor or any Subsidiary as Lessor or any Subsequent Holder may from time to time reasonably request.

(n) Further Assurances. Upon request of the Lessor, promptly cure upon request of Lessor any defects in the creation, issuance, execution and delivery of this Guarantee or in the Lease Agreements. Guarantors, at their expense, will further promptly execute and deliver to Lessor upon request all such other and further documents, agreements and instruments in compliance with or accomplishment of the covenants and agreements of Guarantors hereunder, or to further evidence and more fully describe the obligations of the Guarantors for the Obligations as primary obligor or to correct any omissions herein, or to more fully state the obligations set out herein.

8. Negative Covenants. The Guarantor covenants and agrees that, so long as any part of the Obligations shall remain unpaid or the Lessee shall have any commitment or obligation under the Lease Agreements, neither the Guarantor nor any of its Subsidiaries will, unless Lessor or any Subsequent Holder otherwise consents in writing:

(a) Current Ratio. Permit the ratio of its Consolidated Current Assets to its Consolidated Current Liabilities at any time thereafter to be less than 2.0:1.

(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 sixty million dollars (\$160,000,000) plus (ii) 50% of the aggregate Consolidated Net Income of the Guarantor for the period commencing on February 29, 1992 (without deduction for any net loss in any fiscal year ending after February 29, 1992) 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. Declare 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) which is payable more than 60 days after the date such declaration is made, unless, at the time of such declaration, such dividend complied with this Section 8(c). Guarantor covenants that it will not, and will not permit any of its Subsidiaries to, pay or declare any dividend on any class of its stock (other than stock dividends) or make any other distribution on account of any class of its stock (other than dividends or distributions payable solely in shares of its stock), or redeem, purchase or otherwise acquire, directly or indirectly, any shares of its stock, or make any Restricted Investments (all of the foregoing being herein called "Restricted Payments") if the aggregate amount of all such Restricted Payments, from and after February 29, 1992, shall exceed the sum of (i) fifty percent (50%) of the aggregate Consolidated Net Income of the Guarantor for the period (taken as one accounting period) commencing on February 29, 1992 and terminating at the end of the last fiscal quarter preceding the date of such Restricted Payment (provided, however, that in the case of any deficit in Consolidated Net Income in any financial reporting period occurring either fully or partly within such period, 100% of the amount of such deficit shall be subtracted from the amount described in clause (i) above) plus (ii) the aggregate net cash proceeds received from the issuance or sale, after February 29, 1992, of capital stock of the Guarantor (provided, however, that for purposes of clause (ii), such net cash proceeds shall be considered only for a period of one calendar year commencing on the date such proceeds are received by the Guarantor) plus (iii) ten million dollars (\$10,000,000). Notwithstanding the foregoing, no Restricted Payment shall be made unless, after giving effect thereto, no Default shall have occurred and be continuing. There shall not be included in the limitation upon Restricted Payments (a) any dividends paid by any Subsidiary of the Guarantor to its corporate parent which is also a Subsidiary of the Guarantor or (b) to the Guarantor.

(d) Lien, Debt and Other Restrictions. Guarantor covenants that it will not, and will not permit any Subsidiary to:

(i) Liens. Create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, except without double-counting, any of the following (the "Permitted Liens"):

(a) Liens for Taxes, not yet due and delinquent or which are being actively contested in good faith by appropriate proceedings, provided that the existence of such Liens does not affect the Guarantor's or its Subsidiaries' good and marketable title to or use or enjoyment of the property or assets burdened by such Liens,

(b) other Liens arising in the ordinary course of its business or the ownership of its property and assets (including easements and similar encumbrances) which were not incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property or assets, and which do not in the aggregate materially interfere with the operation of its business and will not cause a Material Adverse Effect,

(c) any Lien existing on any property of any corporation at the time it becomes a Subsidiary, provided that (a) any such Lien shall not encumber any other property of the Guarantor or such Subsidiary, and (b) the aggregate amount of Debt secured by such Lien shall not at any time exceed 75 of the fair market value of such property,

(d) any Lien on any property acquired, constructed or improved by the

Guarantor or a Subsidiary after the date hereof and created contemporaneously with or within 12 months of such acquisition, completion of construction or improvement to secure Debt assumed or incurred to finance up to 75% of the purchase price or cost of construction or improvement of such property, but such Lien shall cover only the property so acquired or constructed and any improvements thereto, and

(e) Liens existing on the date hereof and disclosed in the most recent financial statements described in Section 6(f) hereof,

(f) Liens arising in connection with court proceedings, provided the execution of such Liens is effectively stayed and such Liens are contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP, and provided further that the existence of such Liens does not affect the Guarantor's or its Subsidiaries' title to or use or enjoyment of the property or assets burdened by such Liens,

(g) any Lien described in clauses (c), (d) or (e) above resulting from renewing, extending or refunding outstanding Secured Debt provided that the principal amount of the Secured Debt secured thereby is not increased and the Lien is not extended to any other property, and

(h) any other Liens incurred in connection with the borrowing of money or any other Liens, provided that immediately thereafter the aggregate amount of Debt secured by Liens incurred pursuant to this clause (h) does not at any time exceed five percent (5.0%) of Consolidated Net Tangible Assets.

(ii) Funded Debt -- Other than for the Guaranteed Debt by the Guarantor of Sunbelt's Debt to (i) Standard Chartered Bank under a line of credit in the amount of \$5,000,000 and (ii) Texas Commerce Bank, National Association under a line of credit in the amount of \$5,000,000 (the "Sunbelt Debt Guarantee"), create, incur, assume or suffer to come into existence any additional Funded Debt unless after giving effect thereto (i) Senior Funded Debt is less than 50% of Consolidated Net Tangible Assets and (ii) all Funded Debt in the aggregate is less than sixty percent (60%) of Consolidated Net Tangible Assets. With respect to Subsidiaries which are not Guarantors, create, incur, assume or suffer to come into existence any additional Funded Debt by such Subsidiaries unless after giving effect thereto all Funded Debt by such Subsidiaries in the aggregate is less than 70% of Consolidated Net Tangible Assets of such Subsidiaries. As used in this paragraph 8(ii), (A) prior to demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Senior Funded Debt) shall only include the Guaranteed Debt of Sunbelt to the extent the aggregate amount of such Guaranteed Debt of Sunbelt exceeds the sum of Sunbelt's Cash Equivalents, and (B) from and after demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Senior Funded Debt) shall include such Guaranteed Debt of Sunbelt.

(iii) Short-Term Debt -- Other than for the Sunbelt Debt Guarantee, create, incur, assume or suffer to exist any Short-Term Debt, other than any Short-Term Debt which is incurred in the ordinary course of business, provided that there shall be a period of at least 45 consecutive days during each fiscal year in which such Short-Term Debt is paid down to an amount that would have been permitted under Section 8(d)(ii) were such Short-Term Debt to be treated as Funded Debt; provided, however, that as used in this paragraph 8(d)(iii), (A) prior to demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Short-Term Debt) shall only include the Guaranteed Debt of Sunbelt to the extent the aggregate amount of such Guaranteed Debt of Sunbelt exceeds the sum of Sunbelt's Cash Equivalents, and (B) from and after demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Short-Term Debt) shall include such Guaranteed Debt of Sunbelt.

(iv) Subsidiaries' Debt -- Create, incur, assume or suffer to exist any additional Debt unless after giving effect thereto, the aggregate amount of outstanding Debt of the Guarantor's Subsidiaries is less than 10% of Consolidated Net Tangible Assets.

(v) Maintenance of Fixed Charge Coverage -Permit the ratio of Cash Flow Available for Fixed Charges to Fixed Charges, to be determined on the last

day of each fiscal quarter for the preceding 12 months, to be less than (i) 1.3 to 1 for each of the fiscal quarters ending during the period from the date of this Guarantee through February 27, 1993, and (ii) 1.4 to 1 for each fiscal quarter ending thereafter.

(vi) Limitation on Sale of Assets -- Other than (i) sales in the ordinary course of business, and (ii) the sale by the Guarantor and/or Sunbelt Nursery Group, Inc. of any of the capital stock of Sunbelt (provided the net proceeds of any such sale of stock owned by the Guarantor are used to pay down the Guarantor's bank debt which is pari passu in terms of right to payment with the Obligations), sell or otherwise dispose of in any fiscal year more than 10% of its Consolidated Tangible Assets or sell or otherwise dispose of any of its Consolidated Tangible Assets for less than fair market value.

(vii) Merger and Consolidation -- Merge or consolidate, provided, however, that:

(a) the Guarantor may merge or consolidate with or into any other corporation so long as (A) the successor corporation is a United States entity which expressly assumes the Obligation in writing or the Guarantor shall be the continuing or surviving entity, (B) no Default shall have occurred after giving effect to such merger or consolidation, and (C) immediately after giving effect to such merger or consolidation the Guarantor could have incurred an additional \$1.00 of Funded Debt pursuant to the provisions of Section 8(d)(ii) hereof, and

(b) any Subsidiary may merge or consolidate with or into any other corporation so long as, upon such merger or consolidation, (A) the successor corporation becomes a Subsidiary of the Guarantor, (B) no Default shall have occurred after giving effect to such merger or consolidation, and (C) immediately after giving effect to such merger or consolidation such Subsidiary could have incurred an additional \$1.00 of Funded Debt pursuant to the provisions of Section 8(d)(ii) hereof, and

(c) any Subsidiary may merge or consolidate with or into the Guarantor or any other Subsidiary so long as, in any such merger or consolidation involving the Guarantor, the Guarantor shall be the surviving or continuing corporation.

(e) Investments. Make or permit any of its Subsidiaries to make any Investment, except (i) purchases of majority of the outstanding stock of any corporation, (ii) Investments in Guarantor, any of its Subsidiaries, or any Person that is wholly-owned by Guarantor and/or its Subsidiaries, not to exceed in the aggregate twenty-five million dollars (\$25,000,000) (iii) Investments in Cash Equivalents or readily marketable securities having a quoted market value, (iv) Investments in Persons to the extent permitted by Section 8(c) hereof, (v) Investments in 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 under this subsection (v) shall not exceed \$75,000,000 in the aggregate (vi) loans or advances to employees in the ordinary course of business that do not exceed \$5,000,000 in the aggregate, (vii) Investments in Sunbelt capital stock or which are loans made by the Guarantor to Sunbelt as a result of the Guarantor's payment of the Guaranteed Debt permitted under Section 8(g) hereof or are intercompany advances, not exceeding \$1,000,000.00, made by the Guarantor to Sunbelt in the ordinary course of business, which advances are promptly repaid by Sunbelt, and (viii) loan participation programs for a period not to exceed seven days with credit risk to companies with long-term debt rating by Standard & Poor's or Moody's of not less than single A.

(f) Chance in Nature of Business. Make, or permit any of its Subsidiaries to make, any material change in the nature of its business as conducted on the date hereof.

(g) Guaranteed Debt. Create, assume or suffer to exist or permit any of its Subsidiaries to create, suffer or exist any Guaranteed Debt except (i) Guaranteed Debt in existence on the date hereof, (ii) Guaranteed Debt that is secured by assets of the primary obligor having a fair market value at least equal to the amount of such Guaranteed Debt, as determined by an independent qualified appraiser selected by Guarantor (which appraisal, at Lessor's or any Subsequent Holder's reasonable request and at Lessor's expense, shall be promptly updated, but such request shall not be made more often than once every 12 months), and (iii) Guaranteed Debt of Guarantor or a Subsidiary on

the consolidated balance sheet of Guarantor and its Subsidiaries; Provided, however, that in no event shall the aggregate amount of all consolidated Guaranteed Debt (other than the Guaranteed Debt described in (iii) above) of Guarantor and its Subsidiaries exceed the Consolidated Tangible Net Worth, and (iv) the Sunbelt Debt Guarantee.

(h) Management and Control. Permit any material change in the Guarantor's management or control of any of its Subsidiaries.

9. Payments. Each payment by each Guarantor to Lessor under this Guarantee shall be made by transferring the amount thereof in immediately available U.S. funds without set-off or counterclaim. Any and all payments by each of the Guarantors hereunder shall be made free and clear and without deduction for any and all present or future Taxes, excluding, in the case of Lessor, any Subsequent Holder and each Bank, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which Lessor, any Subsequent Holder, or such Bank (as the case may be) is organized or is or should be qualified to do business or any subdivision thereof, and in the case of each Subsequent Holder and each Bank, Taxes imposed on such Subsequent Holder's or such Bank's income by the jurisdiction of such Subsequent Holder's or Bank's lending office or any political subdivision thereof. If Guarantor shall be required to deduct any Taxes (i.e., Taxes for which Guarantor is responsible under the preceding sentence) from or in respect of any sum hereunder (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 9) such Subsequent Holder and each such Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) Guarantor shall make such deductions and (iii) Guarantor shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

10. Costs and Expenses. The Guarantors hereby -agree to pay all reasonable legal and other costs and expenses incurred by Lessor in seeking to protect or enforce any of Lessor's rights or remedies with respect to the Obligations or this Guarantee.

11. Subrogation. Each of the Guarantors shall not be subrogated, in whole or in part, to Lessor's rights or those of any subsequent assignee or transferee of any of the Obligations until 367 days after all the Obligations to Lessor and every such subsequent assignee or transferee shall have been paid in full and all obligations and commitments of whatever kind or character of the Lessee under the Lease Agreements have been fully discharged and satisfied.

12. No Waiver, No delay on Lessor's part in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Lessor of any right or remedy shall preclude the other or further exercise thereof or the exercise of any other right or remedy.

13. Parties; Successors and Assigns. This Guarantee shall inure to the benefit of Lessor and Lessor's successors, assigns or transferees, and shall be binding upon the Guarantor and its successors and assigns. The Guarantor may not delegate any of its duties under this Guarantee without the prior written consent of Lessor or any Person to whom Lessor has assigned this Guarantee. Lessor may assign Lessor's rights and benefits under this Guarantee to any Person, including, without limitation, to any financial institution providing financing to Lessor. Upon any assignment by Lessor of this Guarantee, and upon any subsequent assignment or assignments by Lessor's assignee or future assignees, such assignee or future assignee shall succeed to all of the rights, benefits, remedies and privileges of this Guarantee and shall for all purposes hereof be deemed to be "Lessor" hereunder to the exclusion of the assigning Lessor. Guarantor agrees to make such disclosures and to take such action and execute such instruments as any such assignee or future assignee may reasonably require to more fully protect, preserve and assure to such assignee or future assignee all of the rights, benefits, remedies and privileges provided hereby. In the event that Lessor or any assignee hereof sells participations in any obligation secured by the Lease Agreements to other lenders, each such other lender shall have rights, benefits, remedies and privileges to the same extent as are available to Lessor hereunder.

14. Acceleration Events.

(a) If any one or more of the following events shall occur:

- (i) If an Event of Default shall occur under any Lease Agreement; or
- (ii) If an Event of Default shall occur under the Credit Agreement; or
- (iii) If Guarantor shall fail to pay any part of the Obligations when due; or
- (iv) If any representations or warranties made by Guarantor herein shall be false or misleading in any material respect on the date made; or
- (v) If there shall be a default in the performance or observance of any other term, covenant or condition contained in this Guarantee (other than a default described in subparagraph (iii) above), which default shall continue for more than thirty (30) days; or

(vi) If an "Event of Default," as defined and provided in (a) the Teachers Agreement, or (b) that certain Revolving Credit Loan Agreement dated as of July 7, 1992 between Guarantor and First Interstate Bank of Texas, N.A., or (c) that certain Revolving Credit Loan Agreement dated July 7, 1992 between Guarantor and Texas Commerce Bank, National Association, (d) that certain Revolving Credit Loan Agreement dated July 7, 1992, between Guarantor and National Westminster Bank, Plc, or (e) in any renewals, extensions, amendments, modifications, replacements, and substitutions of any of the foregoing, shall occur and be continuing for any reason whatsoever;

(vii) Guarantor or any Subsidiary defaults in any payment on any other obligation for money borrowed (or any Capitalized Lease Obligation, any obligation under a conditional sale or other title retention agreement, any obligation issued or assumed as full or partial payment for property whether or not secured by a purchase money mortgage or any obligation under notes payable or drafts accepted representing extensions of credit) beyond any period of grace provided with respect thereto, or Guarantor or any Subsidiary fails to perform or observe any other agreement, term or condition contained in any agreement under which any such obligation is created (or if any other event thereunder or under any such agreement shall occur and be continuing) and the effect of such failure or other event is to cause, or to permit the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause, such obligation to become due prior to any stated maturity, provided that the aggregate amount of all obligations as to which such a default shall occur and be continuing or such a failure or other event causing or permitting acceleration shall occur and be continuing exceeds five million dollars (\$5,000,000); then, and in any such event, and in addition to all other rights and remedies at law and in equity available to Lessor and the Agent and Banks (as defined in the Credit Agreement) as a result of such event, Guarantor shall at the election of the Agent or Majority Banks (as defined in the Credit Agreement) immediately pay to the Agent, for the account of Banks, without notice or demand, an amount equal to the sum of (a) the Total Costs outstanding and not reimbursed with respect to all properties covered by all Lease Agreements then in effect, (b) accrued and unpaid interest thereon at the Applicable Rate as set forth in the Lease Agreements, and (c) all other amounts not included within the term Total Cost (as defined in the Lease Agreements) which are then due and payable under the Lease Agreements. All amounts paid by Guarantor to the Agent under this Section 14 shall be immediately deposited in the Collection Account established pursuant to Section 2.02 of the Absolute Assignment of Rents, Income and Leases, dated December 30, 1992 (the "Absolute Assignment") executed by Lessor to the Agent, and shall be invested, withdrawn and paid in accordance with the provisions of such Absolute Assignment. It is understood that any payments made by Guarantor to Lessor under this Guarantee shall not release or discharge Guarantor from its obligations hereunder until all of the Obligations have been fully and finally paid to Lessor. All amounts payable by Guarantor hereunder shall be credited against amounts otherwise payable by Lessee under the Lease Agreements for the remainder of their respective terms, provided that if any of the Lease Agreements have been terminated or if for any other reason sufficient credits cannot be given to Lessee, then such payments shall nevertheless be retained and applied pursuant to the Absolute Assignment and no further credits shall be given to Lessee.

(b) Guarantor acknowledges that the execution and delivery of this Guarantee was an express condition to the extension by the Banks of the credit facility to Lessor pursuant to the Credit Agreement, and that such credit facility has enabled Guarantor to open additional stores and expand its business in furtherance of its business plan. Guarantor further acknowledges that this Guarantee has been pledged as additional collateral to

the Agent, for the benefit of Agent and Banks, pursuant to the Credit Agreement and that the covenants of Guarantor contained in this Section 14 have been required by the Banks as separate and distinct covenants in addition to the guarantee of the Lease Agreements contained herein. Accordingly, any payment made by Guarantor under this Section 14 shall be deemed to be an agreed guarantee payment without regard to the status of any Lease Agreement or Lessee's rights or obligations thereunder; and in no event and under no circumstance shall any such payment be repayable or refundable to Guarantor for any reason or under any circumstance, and Guarantor agrees to look solely to Lessee under its limited right to subrogation for the recovery of any such sum.

(c) ALL AMOUNTS PAYABLE BY GUARANTOR UNDER THIS LEASE GUARANTEE ARE PAYABLE WITHOUT OFFSET, COUNTERCLAIM OR DEDUCTION OF WHATEVER KIND AND ARE NOT CONDITIONED UPON, AND CANNOT BE AFFECTED IN ANY WAY BY ANY FUTURE EVENT, OCCURRENCE OR ACTION BY ANY PARTY, AND GUARANTOR UNDERSTANDS AND AGREES THAT ALL SUCH AMOUNTS SHALL BE PAYABLE NOTWITHSTANDING ANY FACT OR CIRCUMSTANCE (INCLUDING WITHOUT LIMITATION THE BANKRUPTCY OF OR A SIMILAR EVENT AFFECTING LESSEE) AT ANY TIME AFFECTING LESSEE OR ANY LEASE AGREEMENT, WHETHER CAUSED OR CONTRIBUTED TO BY LESSEE, LESSOR OR ANY OTHER PARTY.

15. Arbitration Program.

(a) Binding Arbitration. Upon the demand of any party, whether made before or after the institution of any judicial proceeding, any Dispute (as defined below) shall be resolved by binding arbitration in accordance with the terms of this Arbitration Program. A "Dispute" shall include any action, dispute, claim, or controversy of any kind (e.g., whether in contract or in tort, statutory or common law, legal or equitable, or otherwise) now existing or hereafter arising between the parties in any way arising out of, pertaining to or in connection with (1) the agreement, document or instrument to which this Arbitration Program is attached or in which it is referred to or any related agreements, documents, or instruments (the "Documents"), (2) all past, present or future loans, notes instruments, drafts, credits, accounts, deposit accounts, safe deposit boxes, safekeeping agreements, guarantees, letters of credit, goods or services, or other transactions, contracts or agreements of any kind whatsoever, (3) any past, present or future incidents, omissions, acts, practices, or occurrences causing injury to either party whereby the other party or its agents, employees, or representatives may be liable, in whole or in part, or (4) any aspect of the past, present or future relationships of the parties including any agency, independent contractor or employment relationship but excluding claims for workers' compensation and unemployment benefits ("Relationship"). Any party to this Arbitration Program may, by summary proceedings (e.g., a plea in abatement or motion to stay further proceedings), bring any action in court to compel arbitration of any Disputes. Any party who fails or refuses to submit to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration of any Dispute. The parties agree that by engaging in activities with or involving each other as described above, they are participating in transactions involving interstate commerce.

(b) Governing Rules. All Disputes between the parties shall be resolved by binding arbitration administered by the American Arbitration Association (the "AAA") in accordance with, and in the following priority: (1) the terms of this Arbitration Program, (2) the Commercial Arbitration Rules of the AAA, (3) the Federal Arbitration Act (Title 9 of the United States Code) and (4) to the extent the foregoing are inapplicable, unenforceable or invalid, the laws of the State of Texas. The validity and enforceability of this Arbitration Program shall be determined in accordance with this same order of priority. In the event of any inconsistency between this Arbitration Program and such rules and statutes, this Arbitration Program shall control. Judgment upon any award rendered hereunder may be entered in any court having jurisdiction; provided, however, that nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. 91 or Texas Banking Code Art. 342-609.

(c) No Waiver; Preservation of Remedies; Multiple Parties. No provision of, nor the exercise of any rights under, this Arbitration Program shall limit the right of any party, during any Dispute to seek, use, and employ ancillary or preliminary remedies, judicial or otherwise, for the purpose of realizing upon, preserving, protecting, foreclosing or proceeding under forcible entry and detainer for possession of any real or personal property, and any such action shall not be deemed an election of remedies. Such rights shall include, without limitation, rights and remedies relating to (1)

foreclosing against any real or personal property collateral or other security by the exercise of a power of sale under a deed of trust, mortgage, or other security agreement or instrument, or applicable law, (2) exercising self-help remedies (including setoff rights) or (3) obtaining provisional or ancillary remedies such as injunctive relief, sequestration, attachment, garnishment, or the appointment of a receiver from a court having jurisdiction. Such rights can be exercised at any time except to the extent such action is contrary to a final award or decision in any arbitration proceeding. The institution and maintenance of an action for judicial relief or pursuit of provisional or ancillary remedies or exercise of self-help remedies shall not constitute a waiver of the right of any party, including the plaintiff, to submit the Dispute to arbitration nor render inapplicable the compulsory arbitration provisions hereof. In Disputes involving indebtedness or other monetary obligations, each party agrees that the other party may proceed against all liable persons, jointly and severally, or against one or more of them, less than all, without impairing rights against other liable persons. Nor shall a party be required to join the principal obligor or any other liable persons (e.g., sureties or guarantors) in any proceeding against a particular person. A party may release or settle with one or more liable persons as the party deems fit without releasing or impairing rights to proceed against any persons not so released.

(d) Statute of Limitations. All statutes of limitation shall apply to any proceeding in accordance with this Arbitration Program.

(e) Arbitrator Powers and Qualifications; Awards; Modification or Vacation of Award. Arbitrators are empowered to resolve Disputes by summary rulings substantially similar to summary judgments and motions to dismiss. Arbitrators shall resolve all Disputes in accordance with the applicable substantive law. Any arbitrator selected shall be required to be a practicing attorney licensed to practice law in the State of Texas and shall be required to be experienced and knowledgeable in the substantive laws applicable to the subject matter of the Dispute. With respect to a Dispute in which the claims or amounts in controversy do not exceed \$1,000,000, a single arbitrator shall be chosen and shall resolve the Dispute. In such case, the arbitrator shall be required to make specific, written findings of fact, and shall have authority to render an award up to but not to exceed \$1,000,000, including all damages of any kind whatsoever, including costs, fees and expenses. A Dispute involving claims or amounts in controversy exceeding \$1,000,000 shall be decided by a majority vote of a panel of three arbitrators (an "Arbitration Panel"), the determination of any two of the three arbitrators constituting the determination of the Arbitration Panel, provided, however, that all three Arbitrators on the Arbitration Panel must actively participate in all hearings and deliberations. Arbitrators, including any Arbitration Panel, may grant any remedy or relief deemed just and equitable and within the scope of this Arbitration Program and may also grant such ancillary relief as is necessary to make effective any award. Arbitration Panels shall be required to make specific, written findings of fact and conclusions of law, and in such proceedings before an Arbitration Panel only, the parties shall have the additional right to seek vacation or modification of any award of an Arbitration Panel that is based in whole, or in part, on an incorrect or erroneous ruling of law by appeal to a Federal or State Court of Appeals, following the entry of judgment on the award in Federal or State District Court, as appropriate. For these purposes, the award and judgment entered by the Federal or State District Court shall be considered to be the same as the award and judgment of the Arbitration Panel. All requirements applicable to appeals from any Federal or State District Court judgment shall be applicable to appeals from judgments entered on decisions rendered by Arbitration Panels. The Appellate Courts shall have the power and authority to vacate or modify an award based upon a determination that there has been an incorrect or erroneous ruling of law. The Appellate Court shall also have the power to reverse and/or remand the decision of an Arbitration Panel. Subject to the foregoing, the determination of an Arbitrator or Arbitration Panel shall be binding on all parties and shall not be subject to further review or appeal except as otherwise allowed by applicable law.

(f) Other Matters and Miscellaneous. To the maximum extent practicable, the AAA, the Arbitrator (or the Arbitration Panel, as appropriate) and the parties shall take any action necessary to require that an arbitration proceeding hereunder be concluded within 180 days of the filing of the Dispute with the AAA. Arbitration proceedings hereunder shall be conducted at one of the following locations in the State of Texas agreed to in writing by the parties or, in the absence of such agreement, selected by the AAA: (1) Austin; (2) Dallas; (3) Fort Worth; (4) Houston; or (5) San Antonio.

Arbitrators shall be empowered to impose sanctions and to take such other actions as they deem necessary to the same extent a judge could do pursuant to the Federal Rules of Civil Procedure, the Texas Rules of Civil Procedure and applicable law. With respect to any Dispute, each party agrees that all discovery activities shall be expressly limited to matters directly relevant to the Dispute and any Arbitrator, Arbitration Panel and the AAA shall be required to fully enforce this requirement. This Arbitration Program constitutes the entire agreement of the parties with respect to its subject matter and supersedes all prior discussions, arrangements, negotiations, and other communications on dispute resolution. The provisions of this Arbitration Program shall survive any termination, amendment, or expiration of the Documents or the Relationship, unless the parties otherwise expressly agree in writing. To the extent permitted by applicable law, Arbitrators, including any Arbitration Panel, shall have the power to award recovery of all costs and fees (including attorneys' fees, administrative fees, and arbitrators' fees) to the prevailing party. This Arbitration Program may be amended, changed, or modified only by the express provisions of a writing which specifically refers to this Arbitration Program and which is signed by all the parties hereto. If any term, covenant, condition, or provision of this Arbitration Program is found to be unlawful, invalid or unenforceable, such illegality or invalidity or unenforceability shall not affect the legality, validity, or enforceability of the remaining parts of this Arbitration Program, and all such remaining parts hereof shall be valid and enforceable and have full force and effect as if the illegal, invalid, or unenforceable part had not been included. The captions or headings in this Arbitration Program are for convenience of reference only and are not intended to constitute any part of the body or text of this Arbitration Program. Each party agrees to keep all Disputes and arbitration proceedings strictly confidential, except for disclosures of information required in the ordinary course of business of the parties or by applicable law or regulation. To the maximum extent permitted by law, this Arbitration Program modifies and supersedes any and all prior agreements for arbitration between the parties.

16. Notices. All notices, demands and other communications between Lessor and the Guarantor under this Guarantee shall be in writing, which may include cable, telex or telecopy) and shall be delivered or sent to the address or telex number shown below, or to such other address, telex or telecopy number as either of us may be written notice to the other have designated for such purpose. Any such notice, demand or other communication shall not be effective until actually received.

If to Lessee: Pier Group, Inc.
c/o Bear Stearns
245 Park Avenue
New York, New York 10167
Attention: James D. Price

If to the Guarantors: Pier 1 Imports, Inc.
301 Commerce Street, Suite 600
Fort Worth, Texas 76102
Attention: Robert G. Herndon,
Executive Vice President and CFO
Telex: 203955
Telecopier: 817-332-5727
Telephone: 817-878-8000

Pier 1 Imports (U.S.), Inc.
301 Commerce Street, Suite 600
Fort Worth, Texas 76102
Attention: Robert G. Herndon,
Executive Vice President and CFO
Telex: 203955
Telecopier: 817-332-5727
Telephone: 817-878-8000

17. Term. This Guarantee is not limited to any particular period of time but shall continue in full force and effect until all of the Obligations have been fully and finally paid or have been otherwise discharged by Lessor, and the Guarantors shall not be released from any obligations or liability hereunder until such full payment or discharge shall have occurred.

18. Governing Law. This Guarantee shall be governed by and construed in accordance with the laws of the State of Texas. This Guarantee is performable in Tarrant County, Texas, and each of the Guarantors hereby waive

the right to be sued elsewhere.

19. FINAL AGREEMENT. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES WITH RESPECT TO THE SUBJECT MATTER THEREOF 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.

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: _____
Robert G. Herndon,
President

Agreed and Accepted as of
the date first above written:

ASSIGNEE:

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

By: _____
Terry R. Dallas,
Senior Vice President

FIRST AMENDMENT
TO
LEASE GUARANTEE

This First Amendment to Lease Guarantee is made effective as of April 28, 1993 by and between Pier 1 Imports, Inc., a Delaware corporation, and Pier 1 Imports (U.S.), Inc. (hereinafter collectively referred to as the "Guarantor"), and Pier Group, Inc., a Delaware corporation ("Lessor").

WHEREAS, the Guarantor and Lessor entered into that certain Lease Guarantee dated December 30, 1992 (the "Lease Guarantee") relating to leases between Lessor and Pier Imports (U.S.), Inc., and leases between Lessor and Wolfe Nursery, Inc.; and

WHEREAS, Guarantor has sold (the "Sale") all of its capital stock in Sunbelt Nursery Group, Inc. to a wholly-owned subsidiary of General Host Corporation, a New York corporation ("General Host") in exchange for 1,940,000 shares of common stock of General Host; and

WHEREAS, the parties desire to amend the Lease Guarantee in certain respects to take into account the terms of the Sale and the Credit Facilities Agreement dated April 28, 1993 between Pier 1 Imports, Inc. and Sunbelt Nursery Group, Inc. executed in connection therewith.

NOW, THEREFORE, for and in consideration of and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Guarantor and Lessor hereby agree as follows:

1.

Unless otherwise specified herein, terms defined in the Lease Guarantee shall have the same meaning when used herein and all section references refer to sections in the Lease Guarantee.

2.

The first paragraph on the first page of the Lease Guarantee is amended to read in its entirety as follows:

WHEREAS, Lessor has entered into and will continue to enter into lease agreements (collectively, the "Lease Agreements," whether now or hereafter in effect), from time to time with Pier Lease, Inc., a Delaware corporation and an affiliate of Guarantor (hereinafter referred to as the "Lessee"); and

3.

The definitions of "Lessee" and "Restricted Investments" in Section 3 of the Lease Guarantee are amended to read in their entirety as follows:

"Lessee" shall mean Pier Lease, Inc., a Delaware corporation, and its successors and assigns.

"Restricted Investments" shall mean any investments in or loans and advances to, other 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) obligations or securities of a Subsidiary or a corporation which immediately after such purchase or acquisition will be a Subsidiary, (vi) stock or securities received in settlement of debts owing to the Guarantor or any Subsidiary not exceeding \$5,000,000.00, including receivables arising from the sale of goods and services in the ordinary course of business of the Guarantor and its Subsidiaries, (vii) travel or like advances to officers and/or employees in the ordinary course of business and loans to officers and/or employees made on or before May 24, 1991 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 all such travel or like advances and loans not exceeding \$10,000,000.00 in the aggregate, (viii) not more than 1,940,000 shares of the common stock of General Host Corporation, a New York corporation, plus any additional shares 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, (ix) any loans or guaranties made by the Guarantor or any of its Subsidiaries to or for the benefit of Sunbelt or any of its Subsidiaries not exceeding an aggregate principal amount of \$12,000,000 at any one time outstanding, (x) any loan participation program(s) for a period not to exceed seven (7) days with credit risk to companies with long-term debt rating by Standard & Poor's or Moody's of not less than single A, (xi) 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 \$6,500,000 at any one time outstanding, and (xii) 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.

4.

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

(ii) Funded Debt -- Other than for the Guaranteed Debt by the Guarantor or any of its Subsidiaries described in subsection (ix) of the definition of "Restricted Investments" in Section 3 hereof (the "Sunbelt Debt Guarantee"), create, incur, assume or suffer to come into existence any additional Funded Debt unless after giving effect thereto (i) Senior Funded Debt is less than 50% of Consolidated Net Tangible Assets and

(ii) all Funded Debt in the aggregate is less than sixty percent (60%) of Consolidated Net Tangible Assets. With respect to Subsidiaries which are not Guarantors, create, incur, assume or suffer to come into existence any additional Funded Debt by such Subsidiaries unless after giving effect thereto all Funded Debt by such Subsidiaries in the aggregate is less than 70% of Consolidated Net Tangible Assets of such Subsidiaries. As used in this paragraph 8(ii), (A) prior to demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Senior Funded Debt) shall only include the Guaranteed Debt of Sunbelt to the extent the aggregate amount of such Guaranteed Debt of Sunbelt exceeds the sum of Sunbelt's Cash Equivalents, and (B) from and after demand being made upon the Guarantor to pay its obligations under the Sunbelt Debt Guarantee, the term Funded Debt (individually and as used in the definition of Senior Funded Debt) shall include such Guaranteed Debt of Sunbelt.

5.

Section 8(e) of the Lease Guarantee is amended to read in its entirety as follows:

(e) Investments. Make or permit any of its Subsidiaries to make any Investment, except (i) purchases of majority of the outstanding stock of any corporation, (ii) Investments in Guarantor, any of its Subsidiaries, or any Person that is wholly-owned by Guarantor and/or its Subsidiaries, not to exceed in the aggregate twenty-five million dollars (\$25,000,000) (iii) Investments in Cash Equivalents or readily marketable securities having a quoted market value, (iv) Investments in Persons to the extent permitted by Section 8(c) hereof, (v) Investments in 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 under this subsection (v) shall not exceed \$75,000,000 in the aggregate, (vi) loans or advances to employees in the ordinary course of business that do not exceed \$5,000,000 in the aggregate, (vii) any loan or guaranties made by Guarantor or any of its Subsidiaries to or for the benefit of Sunbelt or any of its Subsidiaries not exceeding an aggregate principal amount of \$12,000,000 at any one time outstanding, (viii) any loans or guaranties made by Guarantor or any of its Subsidiaries to or for the benefit of Pier Retail Group Limited not exceeding an aggregate principal amount of \$6,500,000 at any one time outstanding, (ix) any stock or securities of Sunbelt which Guarantor or any of its Subsidiaries acquires through foreclosure of any lien or security interest held by Guarantor or any of its Subsidiaries on such stock or securities, and (x) loan participation programs for a period not to exceed seven days with credit risk to companies with long-term debt rating by Standard Poor's or Moody's of not less than single A.

6.

Section 8(g) of the Lease Guarantee is amended to read in its entirety as follows:

(g) Guaranteed Debt. Create, assume or suffer to exist or permit any of its Subsidiaries to create, suffer or exist any Guaranteed Debt except (i) Guaranteed Debt in existence on the date hereof, (ii) Guaranteed Debt that is secured by assets of the primary obligor having a fair market value at least equal to the amount of such Guaranteed Debt, as determined by an independent qualified appraiser selected by Guarantor (which appraisal, at Lessor's or any Subsequent Holder's reasonable request and at Lessor's expense, shall be promptly updated, but such request shall not be made more often than once every 12 months), and (iii) Guaranteed Debt of Guarantor or a Subsidiary on the consolidated balance sheet of Guarantor and its Subsidiaries; provided, however, that in no event shall the aggregate amount of all consolidated Guaranteed Debt (other than the Guaranteed Debt described in (iii) above) of Guarantor and its Subsidiaries exceed the Consolidated Tangible Net Worth, (iv) the Sunbelt Debt Guarantee and (v) any Guaranteed Debt by Guarantor or any of its Subsidiaries described in subsection (xi) of the definition of "Restricted Investments" in Section 3 hereof.

7.

The effectiveness of this First Amendment is subject to the conditions precedent that the Lessor shall have received Officers' Certificates, dated the date hereof, certifying inter alia:

(a) a true and correct copy of the resolutions adopted by the Board of Directors or Executive Committees of Guarantor;

(b) the incumbency and specimen signatures of the Persons executing any documents on behalf of each of the Guarantors;

(c) the truth as of the date first written above of the representations and warranties made by Guarantors in the Lease Guarantee, as amended hereby; and

(d) the absence of the occurrence and continuance of any Default or Event of Default after giving effect to this First Amendment.

8.

Except as amended above, the Lease Guarantee is ratified and confirmed and shall remain in full force and effect.

9.

This First Amendment to Lease Guarantee shall be binding upon and inure to the benefit of the parties and their successors and assigns.

10.

THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Lease Guarantee 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

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

By: _____
Robert G. Herndon,
Executive Vice President

LESSOR:

PIER GROUP, INC.

By: _____
George Mihalko,
President

Agreed and Accepted as of
the date first above written:

ASSIGNEE:

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

By: _____
Terry R. Dallas,
Senior Vice President

SECOND AMENDMENT TO LEASE GUARANTEE

This Second Amendment to Lease Guarantee (hereinafter referred to as "this Amendment") is entered into as of the 25th day of February, 1994, among PIER 1 IMPORTS, INC., a Delaware corporation, and 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 individually referred to as a "Guarantor") 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 by Pier Lease, Inc., a Delaware corporation;

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

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. Subsection (v) of Section 8(d) of the Lease Guarantee is hereby amended to read as follows:

(v) Maintenance of Fixed Charge Coverage -- Permit the ratio of Cash Flow Available for Fixed Charges to Fixed Charges, to be determined on the last day of each fiscal quarter for the preceding 12 months, to be less than (i) 1.3 to 1 for each of the fiscal quarters ending during the period from the date of this Guarantee through February 27, 1993, (ii) 1.4 to 1 for each of the fiscal quarters ending during the period from February 28, 1993, through February 25, 1994, (iii) 1.2 to 1 for each of the fiscal quarters ending during the period from February 26, 1994, to November 30, 1994, and (iv) 1.25 to 1 for each fiscal quarter ending thereafter.

2. Except as herein specifically amended and modified the Lease Guarantee and First Amendment is unchanged and continues in full force and effect.

3. Each Guarantor hereby consents and agrees to this Amendment and each Guarantor hereby confirms and ratifies the Lease Guarantee's and First Amendment's existence 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.

4. This 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.

5. The Lease Guarantee, First Amendment and this Amendment constitute a "Loan Agreement" as defined in Section 26.02(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 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 first above written:

ASSIGNEE:

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

By: _____
Name: _____
Title: _____

EXHIBIT 10.15.2

EXTENSION AGREEMENT

This Extension Agreement (this "Agreement"), entered into on April 25, 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. Borrower and Pier 1 entered into that certain Credit Facilities Agreement dated as of April 28, 1993 (such Credit Facilities Agreement, as the same has been amended, supplemented, waived or otherwise modified from time to time, the "Credit Agreement") pursuant to which Pier 1 extended credit to or for the benefit of Borrower in the form of a revolving credit facility, a real estate leasing facility and Pier 1 guaranties of Borrower indebtedness on the terms and conditions set forth in the Credit Agreement.

B. Pursuant to the Credit Agreement, Pier 1 guaranteed payment of Borrower's note obligation to Texas Commerce Bank National Association, as successor by merger to Texas Commerce Bank, National Association (the "TCB Note"), and the Borrower's note obligation to Standard Chartered Bank (the "Standard Chartered Note") in the approximate aggregate principal amount of \$9.715 million (the TCB Note and the Standard Chartered Note, sometimes collectively referred to as the "Notes").

C. In April 1994, Pier-SNG acquired the Notes.

D. In addition to the amounts owed in connection with the Notes, Borrower owes an additional principal amount of approximately \$2 million to Pier 1 pursuant to notes issued under the Credit Agreement (the aggregate principal amount owed under the Notes and pursuant to the Credit Agreement, together with all accrued, unpaid interest thereon and all fees and expenses from time to time related thereto, sometimes collectively referred to as the "Revolving Credit Balance").

E. The maturity date of the Credit Agreement and of the Standard Chartered Note is April 28, 1994, and the maturity date for the TCB Note is April 25, 1994.

F. Borrower is attempting to refinance (the "New Financing") the Revolving Credit Balance. To facilitate the New Financing, Borrower has requested that Lender amend the Credit Agreement and the Notes to extend the maturities thereof as herein provided.

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

1. Extension Consideration. In consideration of Lender's Agreement to extend the maturity of the Notes and Credit Agreement through and including June 30, 1994 as herein provided, Borrower shall, contemporaneously with the execution of this Agreement, pay to Lender the sum of \$120,000 in cash or immediately available funds (the "Consideration").

2. 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 and Lenders's receipt of the Consideration ("Effective Date"), hereby replaced in its entirety as follows:

"Termination Date" shall mean (i) June 30, 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 that certain Revolving Credit Facility Agreement (the "TCB Facility") dated as of December 30, 1991, as amended, between Borrower and Texas Commerce Bank, National Association, as predecessor in interest to Pier-SNG, is, effective as of the Effective Date, hereby replaced in its entirety as follows:

"Original Termination Date" shall mean (i) June 30, 1994.

(c) Amendment to the Standard Chartered Note. The definition "Termination Date" in Section 1.1 of that certain Revolving Credit Facility Agreement (the "SCB Facility") dated as of January 31, 1992, as amended, between Borrower and Standard Chartered Bank, as predecessor in interest to Pier-SNG, is, effective as of the Effective Date, hereby replaced in its entirety as follows:

"Termination Date" shall mean (i) June 30, 1994, or the earlier date of termination in the 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 April 1994 shall be payable to Lender on or before April 30, 1994;

ii) Accrued Interest for the month of May 1994 shall be payable to Lender on or before May 31, 1994; and

iii) Accrued Interest for the month of June 1994 shall be payable to Lender on or before June 30, 1994.

(e) Forgiveness of Certain Indebtedness. In the event Borrower repays to Lender an amount equal to the Revolving Credit Balance less the sum of \$120,000, Lender shall, irrespective of the date of such repayment, forgive the remaining \$120,000 Revolving Credit Balance.

(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 Credit Agreement.

3. 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 authority 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.

4. 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, beginning May 3, 1994, a financial report for Borrower for the previous week containing income, expense and cash flow 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 prior to repayment in full of the Revolving Credit Agreement.

5. 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.

6. 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 Events of Default or defer any payments. 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 or all rights and remedies to which it is entitled, which may include foreclosure on any collateral securing the Notes and Credit Agreement and the institution of legal proceedings.

7. 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 and the Credit Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege; provided, however, that any waiver currently in effect with respect to the Credit Agreement or the Notes shall remain in full force and effect through the extended maturity dates.

8. 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.

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

10. 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.

11. 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.

12. 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.

13. 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).

14. 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 prior written

consent of Lender.

15. 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.

16. 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 the Agreement.

17. 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.

18. 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.

19. 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 Lender, 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.

WOLFE NURSERY, 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: _____

WAIVER AGREEMENT

This Agreement (this "Agreement"), entered into as of May 12, 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"), relates to the following four agreements, as amended, supplemented, waived, extended or otherwise modified from time to time, and to the notes issued pursuant to (i), (ii) and (iii) below: (i) Revolving Credit Facility Agreement dated as of December 30, 1991, between Borrower and Texas Commerce Bank National Association as successor by merger to Texas Commerce Bank, National Association (the "TCB Agreement"), (ii) Revolving Credit Facility Agreement dated as of January 31, 1992 between Borrower and Standard Chartered Bank (the "SCB Agreement"); (iii) Credit Facilities Agreement dated as of April 28, 1993 between Borrower and Pier 1 (the "Pier 1 Agreement," and collectively with the TCB Agreement and the SCB Agreement, the "Credit Agreements"); and (iv) Extension Agreement dated as of April 25, 1994 by and between Borrower and Pier 1 and Pier-SNG (the "Extension Agreement").

RECITALS

- A. Borrower and Pier 1 entered into the Pier 1 Agreement pursuant to which Pier 1 extended credit to or for the benefit of Borrower in the form of a revolving credit facility, a real estate leasing facility and Pier 1 guaranties of Borrower indebtedness on the terms and conditions set forth in the Pier 1 Agreement.
- B. Pursuant to the Pier 1 Agreement, Pier 1 guaranteed payment of Borrower's note obligations under the TCB Agreement and the SCB Agreement.
- C. In April 1994, Pier-SNG acquired the notes issued pursuant to the TCB Agreement and the SCB Agreement.
- D. Lender and Borrower entered into that certain Extension Agreement dated as of April 25, 1994 and relating to the Credit Agreements.
- E. Borrower has requested that Lender (i) waive certain provisions of the Credit Agreements and the Extension Agreement and (ii) forbear with respect to the provisions so waived, and Lender is willing to so waive and forbear on the terms and conditions hereof.

AGREEMENT

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

1. Waiver. Lender hereby waives until July 1, 1994 any default, breach, violation or event of default existing as of the date hereof under any of the Credit Agreements (and the notes issued thereunder) or the Extension Agreement (including any cross default(s) arising under (A) Section 6.1(c) of each of the Credit Agreements (and the notes issued thereunder) and (B) Section 6.1(d) of each of the TCB Agreement and the SCB Agreement (and the notes issued thereunder), resulting from the failure of Borrower to (i) satisfy the current ratio requirement set forth in Section 4.1(f) of each of the TCB Agreement and the SCB Agreement; (ii) deliver the annual report of the Borrower within the period required by Section 4.1(k)(i) of each of the Pier 1 Agreement and the TCB Agreement and (iii) timely deliver the notice required by Section 4.1(k)(iv) of each of the Credit Agreements with respect to the foregoing items (i) and (ii). With respect to matters arising as a result of or from the matters described above, Lender hereby agrees to forbear from exercising its rights and remedies under the Credit Agreements (and the notes issued thereunder) until July 1, 1994.

2. Delivery of Annual Report. The Borrower hereby covenants to deliver to Lender its Annual Report on Form 10-K for the fiscal year ended January 31, 1994 as soon as such report is available.

3. Amendment of the Pier 1 Agreement. Effective as of the date hereof, Borrower shall not have the right to obtain extensions of credit under the Pier 1 Agreement in excess of amounts outstanding thereunder as of the date hereof.

4. Status of the Credit Agreements. This Agreement is limited solely for the purpose and to the extent expressly set forth herein, and nothing herein contained or implied shall constitute a waiver or amendment of any other term or condition of the Credit Agreements or of any right, power or remedy of Lender with respect thereto.

5. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing such a counterpart.

6. Construction. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas, without giving effect to the principles of conflict of laws thereunder.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed as of the date first written above.

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 (i) to the execution and delivery of the foregoing Agreement, (ii) 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 Lender, 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.

WOLFE NURSERY, 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: _____

EXHIBIT 10.16

PIER 1 IMPORTS, INC.

SENIOR MANAGEMENT ANNUAL BONUS PLAN
For the Fiscal Year Ending February 25, 1995

1. Purpose. The purpose of the Pier 1 Imports, Inc. Senior Management Annual Bonus Plan (the "Plan") is to encourage superior performance and reward senior management of the Company for effective service as measured by total shareholder return of the Company relative to a peer group of specialty retail companies as specifically set forth below. The opportunities for compensation under the Plan are further intended to strengthen the ability of the Company to retain and attract the senior management upon which continued growth and profitability of the Company depend.

2. Definitions. For purposes of the Plan, the following terms shall have the meanings set forth below unless otherwise expressly provided or unless the context otherwise requires:

"Committee" means the Compensation Committee of the Board of Directors of the Company.

"Company" means Pier 1 Imports, Inc., a Delaware corporation.

"CEO" means the Chief Executive Officer of the Company.

"CFO" means the Chief Financial Officer of the Company.

"COO" means the Chief Operating Officer of the Company.

"Participant" means each of the CEO, COO and CFO.

"Peer Group" means the group of companies provided in Section 5(c) hereof.

"Target Year" means the fiscal year of the Company for which awards are determined under the Plan.

"Total Shareholder Return" of a company for a year means a fraction, expressed as a percentage, in which (A) the numerator of the fraction is the sum (which can be a negative amount) of (i) the price of the publicly traded common stock of the company at the end of the year minus the price of such stock at the end of the prior year, plus (ii) the total value (at the time of payment) of all dividends and other distributions (other than dividends and distributions consisting of shares of common stock of such company) actually paid during the year with respect to a single share of common stock, and (B) the denominator of the fraction is the price of the common stock at the end of the prior year. The price of the common stock at the end of the prior year shall be adjusted to reflect stock dividends, stock splits, combinations of shares and similar changes to the company's capital structure during the year. For purposes of these calculations, the year for each company shall be the Target Year. The price of the common stock of a company shall be determined as the average of the closing prices, as reported for composite transactions, of such common stock during the 10 consecutive days in which such common stock was publicly traded ending on the last day of the Target Year or the year preceding the Target Year, as appropriate.

3. Administration. The Plan shall be administered by the Committee, which shall have the power to interpret the Plan and to make all other determinations necessary or advisable for the administration of the Plan.

4. Participation. Each Participant shall participate in the Plan during each Target Year that the Participant is employed in such capacity by the Company. If a Participant ceases to be employed by the Company for any reason prior to the end of a Target Year, such Participant's participation in the Plan will terminate, and such Participant will be ineligible to receive any compensation under the Plan for such Target Year.

5. Awards.

(a) Annual awards under the Plan shall be based on Total Shareholder Return of the Company's Common Stock for the Target Year compared with Total Shareholder Return for each of the companies constituting the Peer Group. No

Award Level	of the Company and Peer Group	CEO	COO	CFO
Maximum	Highest	125%	110%	100%
	2	100%	90%	85%
	3	100%	90%	85%
	4	100%	90%	85%
	5	75%	70%	60%
	6	75%	70%	60%
	7	75%	70%	60%
	8	75%	70%	60%
	9	40%	36%	32%
	10	40%	36%	32%
	11	40%	36%	32%
Threshold	12	40%	36%	32%
	13	No Bonus Paid		
	14	No Bonus Paid		
	15	No Bonus Paid		
	Lowest			

EXHIBIT B

The Peer Group shall be comprised of the following companies:

The Bombay Company, Inc.
Charming Shoppes, Inc.
Dayton Hudson Corporation
Dillard Department Stores, Inc.
Duty Free International, Inc.
Fabri-Centers of America, Inc.
The Gap, Inc.
The Home Depot, Inc.
The Limited, Inc.
Michaels Stores, Inc.
Nordstrom Inc.
The Sherwin-Williams Company
Toys "R" Us, Inc.
Wal-Mart Stores, Inc.
Walgreen Co.

Alternate companies:

Heilig-Meyers Company
Lands' End, Inc.
Price/Costco, Inc.

EXHIBIT 10.17

EXECUTIVE BONUS PLAN

[Date]

301 Commerce Street
Suite 600
Fort Worth, Texas 76102

Dear:

I would like to advise you of the details of Pier 1 Imports' FY ___ Incentive Plan for [Corporate Vice Presidents - Key Management]. Your challenge, as key member of the management team, is to contribute toward greater profits, increased sales and improved operating efficiencies.

We surveyed several comparable retailers when developing this year's plan. I am confident our plan's incentive targets and profitability measurements are competitive with other retailers. The basic plan design remains the same with one improvement. Beginning with the FY ___ plan, the threshold will be determined by averaging the pretax profit achieved in the last three years. This new method for establishing a threshold will provide an objective approach to determining a starting point each year.

The pretax profit measurement for the FY ___ plan excludes items extraneous from normal Pier 1 operating income such as Sunbelt, General Host and The Pier, and unusual or special gains or charges such as losses or reserves for closing unprofitable stores.

The FY ___ plan threshold is \$_____, an average of the pretax profit achieved in FY ___, FY ___ and FY 9___. The plan will pay ___% of target incentives when the FY ___ pretax profit level reaches \$_____ or 10% above this threshold.

Your FY ___ incentive target is based on your job grade and is expressed as a percentage of base salary. We have established incentive targets with the expectation that both superior individual performance and planned corporate financial results will be achieved. Your personal annualized incentive target for FY ___ is _____% of your base salary. You must be actively employed by Pier 1 Imports (U.S.), Inc. as of the last day of FY ___ to be eligible for an incentive payment. Final individual amounts may be more or less than the target depending on the actual overall corporate financial results. A performance rating of at least "fully competent" is required to be eligible for the full target percent.

The plan will pay ___% of target incentives when the FY ___ pretax profit plan, \$_____, is met. This plan allows Vice Presidents to achieve up to 150% [Key Management - 125%] of their target incentive depending on FY ___ pretax profit. To do so will take a great team effort! Attached is an incentive projection that illustrates how the plan works. As you can see, higher pretax earnings mean greater incentive awards.

Please sign this letter and return it to Mitch Weatherly, Senior Vice President of Human Resources, to acknowledge that you have read and thoroughly understand this plan and the conditions precedent upon your receipt of any incentive payments.

Sincerely,

Marvin J. Girouard
President

Receipt Acknowledged

Date

EXHIBIT 10.18

INDEMNIFICATION OF KEY CORPORATE OFFICERS
MEDICAL, DENTAL, AND RELATED EXPENSES

I. Plan Participants:

The group covered includes the President, Chief Executive Officer, Chief Financial Officer and Senior Vice Presidents.

II. Type of Plan:

An indemnification will be paid to each member of the covered group at the end of each fiscal year. This payment will be equal to the verified medical, dental, and related costs incurred by plan participants and their dependents during the fiscal year. Additionally, applicable taxes on these payments will be paid by Pier 1.

III. Expenses Covered:

1. For all matters presently covered by the Pier 1 group medical plan, the indemnification plan will reimburse for deductibles and co-payments required under the group medical plan.

2. All reasonable and customary dental expenses not solely cosmetic in nature, including 100% of all procedures not covered by the group dental plan and reimbursement for deductibles and co-payments required under the group dental plan for those procedures covered under the group dental plan.

3. Eye examinations, lenses and contact lenses (no frames).

4. Annual physical examinations.

5. For prescribed drugs and medicines, the plan will reimburse for deductibles and co-payments required under the group medical plan.

IV. Maximum Benefit:

The maximum indemnification (payment + "grossed up" taxes) for each executive will not exceed \$7500.

V. Effective Date of Changes to Plan:

March 1, 1987

VI. Administration:

Advances against the annual indemnifications may be paid as frequently as monthly.

At the end of the fiscal year, each plan participant will present documents (medical bills, prescription drug receipts, etc.) in a prescribed reporting format verifying their total covered expenses to the plan custodian. The plan custodian will communicate the prescribed reporting format. The plan custodian will verify expenses and issue the participant a check equal to the difference between the verified expenses and the advances already issued. If the advances are greater than the verified expenses, the participant will then immediately reimburse the company the difference.

Payments made under this plan are considered ordinary income and will be reported to the IRS as such.

VII. Plan Custodian:

The plan custodian is the Chief Financial Officer or his designee.

TAX PREPARATION AND FINANCIAL PLANNING BENEFIT

Benefit: Company reimbursement for tax preparation and financial and estate planning.

Participant: Pier 1 Imports Senior Vice Presidents and above.

Benefit Amount: Up to 1 1/2% of the officer's base salary per year.

Administration: Participant may make a claim by submitting an expense statement with receipts for services rendered to the payroll department.

Taxes: The individual is responsible.

EXHIBIT 21

ROSTER OF SUBSIDIARIES OF REGISTRANT

Pier 1 Assets, Inc., a Delaware corporation

 Pier 1 Licensing, a Delaware corporation

 Pier 1 Imports (U.S.), Inc., a Delaware corporation

 Pier Lease, Inc., a Delaware corporation

 Pier-HWH, Inc., a Delaware corporation

 Pier-SNG, Inc., a Delaware corporation

 PIR Trading, Inc., a Delaware corporation

 Pier International Limited, a Hong Kong
 private company

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-9970, 33-32166 and 33-50278) of Pier 1 Imports, Inc. of our report dated April 14, 1994, appearing in Item 8 of this Form 10-K.

/s/ Price Waterhouse

PRICE WATERHOUSE

Fort Worth, Texas
May 23, 1994