SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

Quarterly report filed pursuant to section 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 2, 1997 Commission file number 1-8897

CONSOLIDATED STORES CORPORATION

A Delaware Corporation
IRS No. 06-1119097
1105 North Market Street, Suite 1300
P. O. Box 8985
Wilmington, Delaware 19899
(302) 478-4896

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

The number of shares of Common Stock $.01 par value per share, outstanding as of September 5, 1997, was 84,319,557 and there were no shares of Nonvoting Common Stock, $.01 par value per share outstanding at that date.

CONSOLIDATED STORES CORPORATION
QUARTERLY REPORT ON FORM 10-Q

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CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	AUGUST 2, 1997	FEBRUARY 1, 1997*
ASSETS		
Current Assets:		
Cash	$ 25,447	$ 30,044
Accounts receivable	9,431	9,342
Inventories	1,041,044	792,665
Prepaid expenses and deferred income taxes	117,992	94,467
Total current assets	1,193,914	926,518
Property and equipment - net	415,141	380,095
Other assets	27,459	23,890
	$ 1,636,514	$ 1,330,503
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 299,907	$ 295,701
Accrued liabilities and income taxes	51,741	133,635
Notes payable and current maturities of long-term obligations	87,206	27,892
Total current liabilities	438,854	457,228
Long-term obligations	463,135	151,292
Deferred income taxes and other noncurrent liabilities	47,150	39,898
Stockholders' equity:		
Preferred stock - authorized 2,000,000 shares, $.01 par value; none issued	--	--
Common stock - authorized 1997 - 290,000,000 shares, 1996 - 90,000,000 shares $.01 par value; issued 84,289,903 and 66,958,488** shares respectively	843	670
Nonvoting common stock - authorized 8,000,000 shares, $.01 par value; none issued	--	--
Additional paid-in-capital	324,292	312,879
Retained earnings	362,488	369,022
Other adjustments	(248)	(486)
Total stockholders' equity	687,375	682,085
	$ 1,636,514	$ 1,330,503

* Condensed from audited financial statements
** Unadjusted for 5 for 4 stock split to shareholders of record on June 10, 1997.
The accompanying notes are an integral part of these condensed financial statements.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	August 2, 1997	August 3, 1996	August 2, 1997	August 3, 1996
Net sales	$624,326	$532,547	$1,219,200	$854,516
Cost and expenses:				
Cost of sales	364,108	315,798	720,171	502,659
Selling and administrative expenses	251,135	217,106	497,205	341,808
Interest expense	6,869	5,094	11,546	6,397
Other - net	935	(50)	989	(292)
	623,047	537,948	1,229,911	850,572
Income (loss) from continuing operations before income taxes and extraordinary charge	1,279	(5,401)	(10,711)	3,944
Income tax expense (benefit)	499	(1,999)	(4,177)	1,459
Income (loss) from continuing operations before extraordinary charge	780	(3,402)	(6,534)	2,485
Discontinued operations	--	(3,317)	--	(5,598)
Extraordinary charge	--	(1,856)	--	(1,856)
Net income (loss)	$ 780	$(8,575)	$(6,534)	$(4,969)
Income (loss) per common and common equivalent share:				
Continuing operations	$ 0.01	$ (0.04)	$ (0.08)	$ 0.03
Discontinued operations	--	(0.04)	--	(0.07)
Extraordinary charge	--	(0.02)	--	(0.02)
Net income (loss)	$ 0.01	$ (0.10)	$ (0.08)	$ (0.06)
Weighted average common and common equivalent shares outstanding	88,182	84,444	84,131	81,172

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

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	TWENTY-SIX WEEKS ENDED	
	August 2, 1997	August 3, 1996
Operating Activities		
Net loss	$ (6,534)	$ (4,969)
Adjustments to net income (loss) to arrive at cash used by operations:		
Extraordinary item, net	--	1,856
Depreciation and amortization	30,839	21,615
Deferred income taxes	8,570	(2,930)
Other	7,868	5,488
Change in assets and liabilities net of effect from acquired business	(357,859)	(122,575)
Net cash used for operating activities	(317,116)	(101,515)
Investment Activities:		
Payment for acquired business	--	(214,513)
Capital expenditures	(67,307)	(46,229)
Other	2,176	1,912
Net cash used for investment activities	(65,131)	(258,830)
Financing Activities:		
Proceeds from issuance of common stock	--	190,647
Proceeds from credit agreements, net	371,309	222,600
Payment of senior notes and other debt	(157)	(35,000)
Debt issue payments	--	(10,307)
Extinguishment of debt	--	(2,946)
Proceeds from exercise of stock options	3,813	2,658
Increase in deferred credits	2,685	2,835
Net cash provided by financing activities	377,650	370,487
Increase (decrease) in cash	$ (4,597)	$ 10,142
Supplemental Disclosure of Cash Flow Information:		
Income taxes paid	$ 61,767	$ 14,350
Interest paid	11,841	5,245

Supplemental Disclosure of Non Cash Transactions:
Issuance of subordinated notes - Note 2

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The condensed consolidated balance sheet at August 2, 1997, and the condensed consolidated statements of income and statements of cash flows for the thirteen and twenty-six week periods ended August 2, 1997, have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations, and cash flows at August 2, 1997, and for the thirteen and twenty-six week periods presented have been made. Such adjustments consisted only of normal recurring items.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals have been omitted or condensed. It is suggested that the condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report for the year ended February 1, 1997. The results of operations for the period ended August 2, 1997, may not necessarily be indicative of the operating results for the full year.

Certain reclassifications have been made to the prior year's income statement to conform to current presentation.

NOTE 2 - ACQUISITION

Effective May 5, 1996, the Company acquired Kay-Bee Center, Inc. (KAY-BEE) from Melville Corporation for a initial purchase price of approximately $315 million (subject to post-closing adjustments), consisting of $215 million in cash and $100 million of subordinated notes, issued to Melville Corporation. Post-closing adjustments recorded in the third quarter 1996, reduced the cash component of the purchase price by $29.7 million to $185.3 million. This acquisition was accounted for as a purchase with the results of KAY-BEE included from the acquisition date. At May 5, 1996, KAY-BEE operated 1,042 toy stores located in all 50 states and Puerto Rico primarily under the names Kay-Bee Toys and Toy Works.

The following summary, prepared on a pro forma basis, combines the results of operations as if KAY-BEE had been acquired at the beginning of the fiscal year presented. Included in the pro forma presentation is the impact of certain purchase adjustments directly attributable to the acquisition which are expected to have a continuing impact.

(In thousands, except per share data)	Twenty-six weeks ended August 3, 1996
	Unaudited
Net sales	$1,030,906
Loss from:	
Continuing operations before extraordinary charge	$ (15,201)
Discontinued operations	(5,598)
Extraordinary charge	(1,856)
Net loss	$ (22,655)
Loss per common and common equivalent share of stock:	
Continuing operations before extraordinary charge	$ (0.18)
Discontinued operations	(0.06)
Extraordinary charge	(0.02)
Net loss	$ (0.26)

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the operating results that would have occurred had the KAY-BEE acquisition been consummated as of the beginning of the fiscal year presented. Additionally, the pro forma financial information is not intended to be a prediction of future results and it does not reflect any synergies that may be achieved from the combined operations.

NOTE 3 - DISCONTINUED OPERATIONS
In the fourth quarter of 1996 the Company adopted a plan to close its single price point and small specialty stores operating under the names of All For One and iTZADEAL!. Accordingly, the operating results for this business are reported as a discontinued operation and prior years operating results have been restated. During the second quarter 1997 and corresponding year to date period $3.4 million and $6.9 million, respectively, were charged, net of tax, against the reserve established in 1996 for discontinued operations.

NOTE 4 - INCOME (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE
Income (loss) per common and common equivalent share are based on the weighted average number of shares outstanding during each period which includes the additional number of shares, as applicable, which would have been issued upon exercise of stock options assuming that the Company used the proceeds received to purchase additional shares at market value.

The Board of Directors authorized 5 for 4 stock splits payable to stockholders of record on December 10, 1996, and June 10, 1997. These stock splits resulted in the issuance of 13,388,264 (unadjusted for June 10, 1997 split) and 16,852,771 new shares of common stock, respectively. All references in the financial statements to average number of shares outstanding and income (loss) per share amounts have been restated to reflect the splits unless otherwise noted.

NOTE 5 - STOCK OFFERING
As of June 10, 1996, the Company completed an offering of 5,125,000 (8,007,812 as adjusted for subsequent stock splits) shares of common stock. Net proceeds to the Company were approximately $190.6 million.

NOTE 6 - EXTRAORDINARY ITEM
During the second quarter of 1996 the Company recorded an extraordinary item in connection with the early extinguishment for $35 million of 10.5% senior notes. The charge before income taxes was $2.9 million.

NOTE 7 - NEW ACCOUNTING STANDARD
The Company calculates earnings (loss) per share using methods prescribed by Accounting Principles Board Opinion (APB) No. 15, "Earnings per Share". In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share" which replaces APB No. 15 and requires adoption for periods ending after December 15, 1997. The Statement will require dual presentation of basic and fully diluted income (loss) per share on the face of the statement of income. For the periods ended August 2, 1997, and August 3, 1996, the basic and diluted income (loss) per share calculated pursuant to SFAS No. 128 are not materially different from primary income (loss) per share calculated under APB No. 15.

In June 1997, SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued. SFAS No. 131 establishes standards for the way that public companies report selected information about operating segments in annual financial statements and requires that those companies report selected information about segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services,

geographic areas, and major customers. SFAS No. 131, which supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," but retains the requirement to report information about major customers, requires that a public company report financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments. SFAS No. 131 requires that a public company report a measure of segment profit or loss, certain specific revenue and expense items, and segment assets. However, SFAS No. 131 does not require the reporting of information that is not prepared for internal use if reporting it would be impracticable. SFAS No. 131 also requires that a public company report descriptive information about the way that the operating segments were determined, the products and services provided by the operating segments, differences between the measurements used in reporting segment information and those used in the enterprise's general-purpose financial statements, and changes in the measurement of segment amounts from period to period. SFAS No. 131 is effective for financial statements for periods beginning after December 15, 1997. The Company has not determined the effects, if any, that SFAS No. 131 will have on the disclosures in its consolidated financial statements.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

OVERVIEW. The Company is the nation's largest closeout retailer and the nation's largest mall-based toy retailer with 1,869 stores located in all 50 states and Puerto Rico. The Company operates 649 retail closeout stores under the names ODD LOTS and BIG LOTS (Closeout Stores) in the midwestern, southern and mid-Atlantic regions of the United States, and 1,220 retail toy and closeout toy stores throughout the United States and Puerto Rico, primarily under the names K-B TOYS, K-B TOY WORKS, and K-B TOY OUTLET (Toy Stores). 1,042 of the Toy Stores were acquired as of May 5, 1996 in the acquisition of KAY-BEE. As a value retailer specializing in toys and closeout merchandise, the Company seeks to provide the budget-conscious consumer with a broad range of quality, name-brand products at exceptional values. Wholesale operations are conducted under the names CONSOLIDATED INTERNATIONAL and WISCONSIN TOY.

The Closeout Stores typically offer merchandise at prices 15% to 35% below those offered by other discount retailers and up to 70% below those offered by traditional retailers. The Closeout Stores offer a wide variety of name-brand consumer products, including food items, health and beauty aids, electronics, housewares, tools, paint, lawn and garden, hardware, sporting goods, toys and softlines. In addition, these stores supplement their broad offering of items in core product categories with a changing mix of new merchandise and seasonal goods such as back-to-school and holiday merchandise.

The Toy Stores offer a broad variety of closeout toys, as well as currently promoted retail toys (known as "in-line toys") and traditional toy merchandise. The Company has been in the toy retailing business since its inception and has operated stand-alone toy stores since 1994.

TRENDS. The Company has historically experienced seasonal fluctuations with a significant percentage of its net sales and income being realized in the fourth fiscal quarter. The Company's quarterly results can also be affected by the timing of store openings and closings, the amount of net sales contributed by new and existing stores and the timing of certain holidays. Due to the increase in the Company's retail toy operations as a result of the KAY-BEE acquisition on May 5, 1996, it is anticipated that a substantial amount of net sales, operating profit and net income will be realized in the fourth fiscal quarter. Quarterly fluctuations in inventory balances are normal reflecting the opportunistic purchases available at any given time and the expansion of the Company's store base. Historically, on a per store basis, inventory levels are lower at the end of the Company's fiscal year and build through the remaining three quarters of the year to a peak level in the third quarter. Accounts payable generally follow a trend similar to inventories.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

The following table compares components of the statement of income as a percent of net sales and reflects the number of stores in operation at the end of each period.

	Thirteen weeks ended		Twenty-six weeks ended	
	August 2, 1997	August 3, 1996	August 2, 1997	August 3, 1996
	(Percent to total net sales)			
Net sales:				
Closeout	58.5 %	59.3 %	57.2 %	71.9 %
Toys	40.2	39.1	41.1	25.9
Other	1.3	1.6	1.7	2.2
	100.0	100.0	100.0	100.0
Cost of sales	58.3	59.3	59.1	58.8
Gross profit	41.7	40.7	40.9	41.2
Selling and administrative expenses	40.2	40.8	40.8	40.0
Operating profit (loss)	1.5	(0.1)	0.1	1.2
Interest expense	1.1	1.0	0.9	0.7
Other - net	0.1	--	0.1	--
Income (loss) from continuing operations before income taxes and extraordinary charge	0.3	(1.1)	(0.9)	0.5
Income tax expense (benefit)	0.1	(0.4)	(0.3)	0.2
Income (loss) from continuing operations before extraordinary charge	0.2	(0.7)	(0.6)	0.3
Discontinued operations	--	(0.6)	--	(0.7)
Extraordinary charge	--	(0.3)	--	(0.2)
Net income (loss)	0.2 %	(1.6)%	(0.6)%	(0.6)%

	August 2, 1997	August 3, 1996
Retail stores in operation at end of period:		
Closeout	649	571
Toys	1,220	1,165
	1,869	1,736

In the fourth quarter of 1996 the Company adopted a plan to close its single price point and small specialty stores operating under the names of All For One and iTZADEAL!. The 1996 operations of these stores are reported as discontinued operations. During the second quarter 1997 and corresponding year to date period $3.4 million and $6.9 million, respectively, were charged, net of tax, against the reserve established in 1996 for discontinued operations.

SALES. Net sales for the thirteen and twenty-six week periods ended August 2, 1997, increased 17.2% and 42.7%, respectively. Comparable store sales for stores open two years at the beginning of the fiscal year increased 10.0% for the quarter and 9.8% for the year to date period. The sales improvement reflects comparable store sales increases in each operating segment, the greater number of closeout stores in operation during the period, and the sales performance of K-B TOYS acquired at the start of the second quarter of fiscal 1996.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Net sales and comparable store sales by operating unit were as follows:

Operating Segment	Thirteen weeks ended August 2, 1997	Thirteen weeks ended August 3, 1996	Percentage Change
	(In thousands)		
Closeout	$ 364,948	$ 316,052	15.5%
Toys	251,023	208,196	20.6
Other	8,355	8,299	0.7
	$ 624,326	$ 532,547	17.2%
Comparable store sales:			
Closeout	5.4%	2.1%	
Toys	16.3%	6.5%*	

Operating Segment	Twenty-six weeks ended August 2, 1997	Twenty-six weeks ended August 3, 1996	Percentage Change
	(In thousands)		
Closeout	$ 697,609	$ 614,768	13.5%
Toys	501,606	221,737	126.2
Other	19,985	18,011	11.0
	$1,219,200	$ 854,516	42.7%
Comparable store sales:			
Closeout	3.5%	3.9%	
Toys	18.2%	7.0%*	

* Includes KAY-BEE comparable store sales from date of acquisition.

GROSS PROFIT. Gross profit as a percent of net sales was 41.7% for the second quarter of fiscal 1997 compared to 40.7% in the same 1996 period. This improvement is primarily attributable to improved initial markups in the Closeout segment offset to some extent by a slight decline in the Toy Stores resulting from increased video games sales which traditionally have a smaller gross profit percentage. In the Toy Stores the Company has gradually increased the availability of closeout toys, which traditionally have a higher gross profit percentage, over the past year from approximately 20% to approximately 30%. Gross profit was 40.9% and 41.2% for the first six months of fiscal 1997 and 1996, respectively. Components of gross profit as a percent to each operating segments sales were as follows:

Operating Segment	Thirteen weeks ended August 2, 1997	Thirteen weeks ended August 3, 1996	Twenty-six weeks ended August 2, 1997	Twenty-six weeks ended August 3, 1996
Closeout	42.3%	40.6%	41.7%	41.4%
Toys	41.2	41.5	40.5	42.0
Other	27.2	22.6	25.7	22.9
	41.7%	40.7%	40.9%	41.2%

SELLING AND ADMINISTRATIVE EXPENSES. As a percent to net sales, selling and administrative expenses were 40.2% and 40.8% in the second quarter of fiscal 1997 and 1996, respectively and 40.8% and 40.0% in each of the year to date periods. Historically the Toy Stores cost structure has resulted in a higher percentage ratio of selling and administrative expenses to net sales in the first three quarters of the year. Accordingly, the comparative year to date increment in selling and administrative expenses as a percent to net sales reflects the full period impact in 1997 of KAY-BEE Toys.

INTEREST EXPENSE. Interest expense increased $1.8 million in the second quarter of 1997 and rose $5.1 million for the year to date period. The increase was attributable to higher weighted average debt levels utilized principally to support operating requirements for the increased number of Toy Stores, increased inventory levels, and capital expenditures.

INCOME TAXES. The estimated annual effective income tax rate for the Company has increased from 37.0% in 1996 to 39.0%. The increase in rate results primarily from the surrender of the Company's corporate-owned life insurance program in 1996.

CAPITAL RESOURCES AND LIQUIDITY

Working capital at August 3, 1997, was $755.1 million, a 60.8% increase compared to $469.3 million at February 1, 1997. The primary sources of liquidity for the Company has been, and continues to be, cash flow from operations and borrowings under available credit facilities. Net cash used by operations in each of the twenty-six week periods ended August 2, 1997, and August 3, 1996, as detailed in the condensed consolidated statements of cash flows, was $317.2 million and $101.5 million, respectively. The utilization by operations in 1997 is principally attributable to increased inventory levels reflecting the greater number of stores in operation, the strong opportunistic availability of closeout merchandise, and the impact of seasonality in the toy business. Future comparisons of funds used and provided by operations are anticipated to continue to fluctuate as a result of these factors. Additionally, the Company had capital expenditures of $67.3 million and $46.2 million in each respective year to date period. Capital expenditures in 1997 are expected to be approximately $110 million to $120 million principally for the anticipated opening of 85 to 95 net Closeout Stores and estimated 100 net Toy Stores plus capital requirements for warehouse expansion and systems needs.

As necessary, the Company supplements its capital and operating cash requirements with borrowings under available credit facilities. At August 2, 1997, approximately $70.9 million was available for direct borrowings under the Company's $600 million Revolving Credit Facility (Revolver) and an additional $43.1 million of uncommitted credit facilities were available, subject to the terms of the Revolver.

The Company continues to believe that it will have adequate resources to fund ongoing operating requirements and future capital expenditures related to the expansion of existing businesses and development of new projects. Additionally, management is not aware of any current trends, events, demands, commitments, or uncertainties which reasonably can be expected to have a material impact on the liquidity, capital resources, financial position or results of operations of the Company.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings. Not applicable.

Item 2. Changes in Securities. Not applicable.

Item 3. Defaults Upon Senior Securities. Not applicable.

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

(a) The Company's Annual Meeting was held on May 20, 1997.

(b) The number of shares of voting Common Stock, $.01 par value per share, outstanding as of April 3, 1997, the record date was 67,339,903(1).

(c) The number of shares of Common Stock of the Company represented in person or by proxy and eligible to vote was 62,735,329(1).

(d) Proxies were solicited by management pursuant to Regulation 14 under the Securities Exchange Act of 1934. There was no solicitation in opposition to management's nominees as listed in the proxy statement. All of the nominee's were elected pursuant to a vote of the stockholders.

(e) A proposal to approve the Amendment to the Fourth Article of Incorporation of the Company increasing the authorized number of shares of Common Stock, $.01 par value per share, of the Company from 90,000,000 to 290,000,000 was approved by a majority vote of the stockholders.

The vote on this proposal was:

41,397,621(1)	21,287,814(1)	49,894(1)
(For)	(Against)	(Abstain)

(1) Unadjusted for 5 for 4 stock split to shareholders of record on June 10, 1997.

Item 5. Other Information.

The Private Securities Litigation Reform Act of 1995 ("the Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. Certain statements contained in Management's Discussion and Analysis and in other Company filings are forward-looking statements. These statements discuss among other things, expected growth, future revenues, future cash flows and future performance. The forward looking statements are subject to risks and uncertainties including but not limited to competitive pressures, inflation, consumer debt levels, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, capital market conditions, and other risks indicated in the Company's filings with the Securities and Exchange Commission. Actual results may materially differ from anticipated results described in these statements.

PART II - OTHER INFORMATION

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

(a) Exhibits.

Exhibit No.	Document
10(a)	Transfer Agreement, dated as of May 9, 1997, among Consolidated Stores Corporation, an Ohio corporation, Nashua Hollis CVS, Inc., a New Hampshire corporation, The Bank of New York, a New York banking corporation, as Trustee, and each of the purchasers (as defined)
10(b)	Consolidated Stores Corporation, Note Agreement dated May 9, 1997, for $100,000,000 7% Senior Subordinated Notes Due May 4, 2000
27	Financial Data Schedule

(b) Reports on Form 8-K.

During the quarter covered by this report the Company filed the following Current Report.

Form/Date	Topic
Form 8-K May 21, 1997	Announcement of 5 for 4 stock split to shareholders of record June 10, 1997 to be distributed June 24, 1997

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONSOLIDATED STORES CORPORATION
(Registrant)

Dated: September 10, 1997

By: /s/ Michael J. Potter
Michael J. Potter, Sr. Vice President, Chief Financial Officer, and Principal Accounting Officer

EXHIBIT 10(a)

CONSOLIDATED STORES CORPORATION,
The Company

NASHUA HOLLIS CVS, INC.,
The Seller

THE BANK OF NEW YORK,
The Trustee

THE PURCHASERS LISTED ON SCHEDULE A,
The Purchasers

TRANSFER AGREEMENT

DATED AS OF MAY 9, 1997

$100,000,000
7% SENIOR SUBORDINATED NOTES DUE MAY 4, 2000

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EXHIBIT 10(a)

TRANSFER AGREEMENT

TRANSFER AGREEMENT (as amended from time to time, this "AGREEMENT"), dated as of May 9, 1997, among CONSOLIDATED STORES CORPORATION, an Ohio corporation (together with its successors and assigns, the "COMPANY"), NASHUA HOLLIS CVS, INC., a New Hampshire corporation (together with its successors and assigns, the "SELLER"), THE BANK OF NEW YORK, a New York banking corporation, as Trustee (together with its successors and assigns, the "TRUSTEE"), and each of the purchasers listed on Schedule A (collectively, together with their respective successors and assigns, the "PURCHASERS").

RECITALS:

A. The Company has issued $100,000,000 aggregate principal amount of its 7% Senior Subordinated Notes due May 4, 2000 (as in effect immediately prior to the Closing, the "ORIGINAL NOTES", and as amended and restated by the Company and the Purchasers at the Closing, in the form set out in Exhibit 1 to the Restated Note Agreement, the "RESTATED NOTES"), under an Indenture dated as of May 5, 1996 (as in effect immediately prior to the Closing, the "INDENTURE", and as amended and restated by the Company and each of the Purchasers at the Closing, in the form set out in Exhibit A, collectively, the "RESTATED NOTE AGREEMENT"), between the Company and The Bank of New York.

B. The Company sold the entire aggregate principal amount of the Original Notes to Melville Corporation on May 5, 1996. Melville Corporation caused all of the Original Notes, through one or more Persons controlled by it, to be assigned and transferred to the Seller.

C. The Company and the Seller have taken all corporate action required to authorize the sale by the Seller to the Purchasers of $100,000,000 aggregate principal amount of the Original Notes pursuant to the terms and conditions of this Agreement.

D. The Company, the Trustee and the Purchasers have agreed, subject to the satisfaction of the conditions precedent set forth in Section 4 hereof, (i) to amend and restate in full the Indenture by the execution and delivery of the Restated Note Agreement, (ii) to amend and restate in full the Original Notes in the form set out in Exhibit 1 to the Restated Note Agreement, and (iii) to remove the Trustee and terminate and discharge the Indenture; and the Company and the Purchasers have taken all corporate action, and the Trustee has taken all trust action, required to authorize such amendment and restatement of the Indenture and the Original Notes, and such removal of the Trustee and such termination and discharge of the Indenture.

NOW THEREFORE, in consideration of the foregoing, and of the mutual promises herein contained, the Company, the Seller, the Trustee and each of the Purchasers hereby agree as follows:

1. DEFINITIONS.

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

AFFILIATE -- means, at any time,and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this defi-

nition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

AGREEMENT, THIS -- is defined in the introductory sentence hereof.

BUSINESS DAY -- means any day other than a Saturday, a Sunday or a day on which commercial banks in New York are required or authorized to be closed.

CAPITAL LEASE -- means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

CLOSING -- is defined in Section.

CODE -- means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

COMPANY -- is defined in the introductory sentence of this Agreement.

DEFAULT -- means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

ENVIRONMENTAL LAWS -- means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

ERISA -- means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

ERISA AFFILIATE -- means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

EVENT OF DEFAULT -- means and includes (i) each Event of Default defined as such in the Indenture and (ii) each Event of Default defined as such in the Restated Note Agreement.

GAAP -- means generally accepted accounting principles as in effect from time to time in the United States of America.

GOVERNMENTAL AUTHORITY -- means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Seller, the Trustee, the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties or business activities of any such Persons, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

GUARANTY -- means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

HOLDER -- means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant Article 2 of the Indenture.

INDEBTEDNESS -- with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money);

(f) Swaps of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type describe in any of clauses (a) through (f) hereof.

INDENTURE -- is defined in Recital A hereof.

INSTITUTIONAL INVESTOR -- means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 5% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

LIEN -- means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

MATERIAL -- means material in relation to the business, operations, affairs, financial condition, assets, or properties of the Company and its Subsidiaries taken as a whole.

MATERIAL ADVERSE EFFECT -- means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement, the Restated Note Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

MEMORANDUM -- is defined in Section 6.3.

MULTIEMPLOYER PLAN -- means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

NOTES -- shall, when reference is made to a date prior to the date of Closing, mean the Original Notes, and when reference is made to a date on or after the date of Closing, mean the Restated Notes.

OFFICER'S CERTIFICATE -- means, with respect to any Person, a certificate of a Senior Financial Officer or of any other officer of such Person whose responsibilities extend to the subject matter of such certificate.

ORIGINAL NOTES -- is defined in Recital A hereof.

PERSON -- means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

PLAN -- means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

PREFERRED STOCK -- means any class of capital stock of a corporation that is preferred over any other class of capital stock of such corporation as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such corporation.

PROPERTY or PROPERTIES -- means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

PURCHASERS -- is defined in the introductory sentence of this Agreement.

QPAM EXEMPTION -- means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

REQUIRED BANKS -- shall have the meaning ascribed to such term in the Revolving Credit Facility.

RESTATED NOTE AGREEMENT -- is defined in Recital A hereof.

RESTATED NOTES -- is defined in Recital A hereof.

REVOLVING CREDIT FACILITY -- means the Amended and Restated Credit Agreement, dated as of May 3, 1996, among the Company, the banks party thereto from time to time and their respective successors and assigns, The Bank of New York as syndication agent and managing agent, National City Bank of Columbus as administrative agent and managing agent, PNC Bank, Ohio, National Association as arranger, documentation agent

and managing agent, Bank One, Columbus, N.A. as managing agent, and National City Bank as managing agent, as such agreement is amended by (i) Amendment Number One to Amended and Restated Credit Agreement, dated as of March 21, 1997, and (ii) Waiver and Amendment Number Two to Amended and Restated Credit Agreement, dated as of May 16, 1997.

SECURITIES ACT -- means the Securities Act of 1933, as amended from time to time.

SELLER -- is defined in the introductory sentence of this Agreement.

SENIOR FINANCIAL OFFICER -- means, with respect to any Person, the chief financial officer, principal accounting officer, treasurer or comptroller of such Person.

SIDE LETTER -- means and includes, as the case may be, those certain letter agreements, dated January 22, 1997 and May 16, 1997, respectively, in each case between the Company and CVS Corporation, pursuant to which CVS Corporation has agreed to indemnify the Company against payment of any "Make-Whole Amount" in excess of the "Call Premium" (as defined therein) in connection with an optional redemption of the Notes prior to May 4, 2000.

SOURCE -- is defined in Section.

SUBSIDIARY -- means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the director (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership an and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

SWAPS -- means, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligations under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder ror if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

TRUSTEE -- is defined in the introductory sentence of this Agreement.

2. SALE AND PURCHASE OF THE NOTES.

Subject to the terms and conditions of this Agreement, the Seller shall sell, assign and transfer to each Purchaser, and each Purchaser shall purchase and assume from the Seller, at the Closing provided for in Section 4, Original Notes, together with all of the rights, privileges and benefits of the Seller under the Indenture resulting from the Seller's ownership of the Original Notes, in the principal amount specified below such Purchaser's name in Schedule A, at the purchase price of 98.60975% of the principal amount thereof, plus accrued and unpaid interest thereon from and including April 15, 1997 to but not including the date of the Closing. The net money for the Original Notes to be paid at Closing is $99,212,527.98. This amount is arrived at by applying the price of 98.60975% to a par amount of $100,000,000 and then adding the accrued interest of $602,777.98 which is calculated from the last payment date of April 15, 1997 to the settlement date of May 16, 1997.

Execution and delivery of a counterpart of this Agreement by each of the Company, the Trustee and the Seller shall, notwithstanding Section 2.06 of the Indenture or any other provision thereof or of the Original Notes, constitute and evidence the satisfaction of all conditions to the transfer of all of the Original Notes to the Purchasers under the provisions of the Indenture and the Original Notes.

Legal and equitable title to the Notes and to all of the rights, privileges and benefits of the Seller under the Indenture resulting from the Seller's ownership of the Notes shall, subject to the satisfaction of the terms and conditions set forth herein, pass to the Purchasers on the date of the Closing. Each Purchaser's obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance by any other Purchaser hereunder.

3. AMENDMENT AND RESTATEMENT OF INDENTURE AND ORIGINAL NOTES; TERMINATION OF TRUST AND REMOVAL OF TRUSTEE.

3.1 AMENDMENT AND RESTATEMENT OF INDENTURE AND ORIGINAL NOTES. Each of the Company, the Trustee and the Purchasers hereby agree that, contemporaneously with the purchase and sale of the Original Notes in accordance with Section 2 hereof, the Company and each of the Purchasers (a) shall amend and restate in full the Indenture by the execution and delivery of the Restated Note Agreement, and (b) shall amend and restate in full the Original Notes by execution and delivery to the Purchasers of Restated Notes in the form set out in Exhibit 1 to the Restated Note Agreement. The execution and delivery of a counterpart of this Agreement by each of the Purchasers, the Company and the Seller shall constitute direction by each of the Purchasers, the Company and the Seller to the Trustee, pursuant to the Indenture, to enter into this Agreement by executing and delivering a counterpart hereof to the other parties hereto.

3.2 TERMINATION OF TRUST AND REMOVAL OF TRUSTEE. Contemporaneously with the execution and delivery of the Restated Note Agreement and the Restated Notes, each of the Company, the Trustee and the Purchasers hereby agree that, without any further action on the part of such parties or any other Person, (a) the Trustee shall be, and hereby is, removed as "Trustee" under the Indenture, and (b) the Indenture shall be, and hereby is, terminated and discharged.

4. CLOSING.

The sale and purchase of the Original Notes shall occur at the offices of Hebb & Gitlin, One State Street, Hartford, Connecticut 06103 at 10:00 a.m. local time, at a closing (the "CLOSING") on May 16, 1997 or on such other Business Day thereafter on or prior to May 23, 1997 as may be agreed upon by the Company, the Seller and the Purchasers. At the Closing, the Seller will deliver the aggregate principal amount of Original Notes to be purchased by the Purchasers (together with any necessary instruments of transfer or assignment duly executed by the Seller) against delivery by the Purchasers to the Seller or its order of immediately available funds in the amount of the aggregate purchase price therefor (separately paid by each of the Purchasers in the respective amounts specified below such Purchaser's name on Schedule A) by wire transfer of immediately available funds for the account of the Seller to account number 1702-2513-9741 at First Bank, 601 2nd Avenue, Minneapolis, MN 55402-1749, ABA #091000022, Attention: Judy Beauregard, Cash Manager, Telephone No. (401) 765-1500, ext. 3515., whereupon: (a) the Company and the Purchasers shall contemporaneously execute and deliver the Restated Note Agreement; and (b) the Company shall contemporaneously execute and deliver Restated Notes to each of the Purchasers, in the form of a single Note (or such greater number of Notes in denominations of at least $100,000 as such Purchaser may request) dated the date of the Closing and registered in the name of such Purchaser (or in the name of its nominee), as specified on Schedule A to the Restated Note Agreement. Such delivery of the Restated Notes by the Company shall be made contemporaneously with delivery by the Purchasers of an equal aggregate principal amount of Original Notes, which Original Notes shall be marked "cancelled" contemporaneously with the delivery thereof to the Company.

The Company hereby agrees to promptly, and in any event within two Business Days after receipt thereof, deliver such "cancelled" Original Notes to the Trustee for formal cancellation thereof in accordance with the Indenture. The execution and delivery of this Agreement by the Company shall constitute direction by the Company to the Trustee to effectuate such cancellation and to thereafter promptly return such cancelled Original Notes to the Company and deliver photocopies thereof to Hebb & Gitlin, the Purchasers' special counsel, at its address set forth above.

If at the Closing the Seller shall fail to tender Original Notes or the Company shall fail to tender Restated Notes to any Purchaser, as provided above in this Section 4, or any of the conditions specified in Section 5 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement and the Restated Note Agreement, without thereby waiving any rights it may have by reason of such failure or such nonfulfillment.

5. CONDITIONS TO CLOSING.

The obligation of each Purchaser to purchase and pay for the Original Notes to be sold to it at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing, of the following conditions, as such conditions relate to such Purchaser.

5.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties of each of the Company and the Seller in this Agreement, and of the Company in the Restated Note Agreement, shall be correct in all material respects when made and at the time of the Closing.

5.2 PERFORMANCE; NO DEFAULT. Each of the Company, the Seller and the Trustee shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing, and such performance and compliance shall remain in effect on the date of the Closing. Immediately before, and after giving effect to, the sale of the Notes as contemplated hereby, no Default or Event of Default shall have occurred and be continuing.

5.3 COMPLIANCE CERTIFICATES.

(a) Each of the Company and the Seller shall have delivered to the Purchasers an Officers' Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 5.1, 5.2 and 5.9, in the case of the Company, and Sections 5.1 and 5.2, in the case of the Seller, have been fulfilled.

(b) Each of the Company and the Seller shall have delivered to the Purchaser a certificate of its Secretary or one of its Assistant Secretaries, dated the date of the Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization of the execution and delivery of this Agreement and the transactions contemplated hereby, as applicable, and in the case of the Company, the authorization, execution and delivery of the Restated Notes and the Restated Note Agreement and the transactions contemplated thereby.

5.4 OPINIONS OF COUNSEL. The Purchasers shall have received opinions in form and substance satisfactory to the Purchasers, dated the date of the Closing:

(a) from Albert J. Bell, Esq., General Counsel for the Company, substantially in the form set out in Exhibit B1 (and the Company hereby instructs its counsel to deliver such opinion to the Purchaser);

(b) from each of (i) Davis Polk & Wardwell, special counsel for the Seller, (ii) Sheehan Phinney Bass + Green PA, local New Hampshire counsel for the Seller, and (iii) Zenon Lankowsky, General Counsel for CVS Corporation, each substantially in the forms set out in Exhibits B2, B3 and Exhibit B4, respectively (and the Seller hereby instructs each such counsel to deliver such opinions to the Purchasers); and

(c) from Hebb & Gitlin, special counsel for the Purchasers in connection with the transactions contemplated hereby, substantially in the form set out in Exhibit B5.

5.5 EXECUTION AND DELIVERY OF DOCUMENTS AND AGREEMENTS.

(A) THIS AGREEMENT. Each of the Company, the Seller, the Trustee and each Purchaser shall have executed and delivered a counterpart of this Agreement to each other party hereto.

(B) RESTATED NOTE AGREEMENT. Contemporaneously with the execution and delivery of this Agreement by the parties hereto, the Company and each Purchaser shall have executed and delivered a counterpart of its Restated Note Agreement to each other.

(C) RESTATED NOTES. Contemporaneously with the execution and delivery of this Agreement by the parties hereto, the Company shall have executed and delivered to each Purchaser one or more Restated Notes, in the principal amount and bearing the registration number specified below such Purchaser's name in Schedule A to the Restated Note Agreement, in replacement of the Original Notes contemporaneously acquired by such Purchaser from the Seller pursuant to this Agreement.

5.6 PURCHASE PERMITTED BY APPLICABLE LAW. On the date of the Closing, the purchase of Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which the relevant Purchaser is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, without limitation, Regulation G, T or X of the Board of Governors of the Federal Reserve System) and (iii) not subject the relevant Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate from the Company or the Seller certifying as to such matters of fact as such Purchaser may reasonably specify to enable it to determine whether such purchase is so permitted.

5.7 PAYMENT OF SPECIAL COUNSEL FEES. Without limiting the provisions of Section 9, the Seller shall have paid on or before the Closing the fees, charges and disbursements of the Purchasers' special counsel referred to in Section 5.4(c) to the extent reflected in a statement of such counsel rendered to the Seller at least one Business Day prior to the Closing.

5.8 PRIVATE PLACEMENT NUMBER. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Notes.

5.9 CHANGES IN CORPORATE STRUCTURE. Except as specified in Schedule 5.9, the Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 6.5.

5.10 CONSENT OF REQUIRED BANKS. The Company shall have obtained from the Required Banks, and the Purchasers shall have received a copy of, the Required Banks' acknowledgement of and consent to the amendment and restatement of the Indenture and the Original Notes by the execution and delivery of the Restated Note Agreement and the Restated Notes, respectively, which acknowledgement and consent shall be in form and substance satisfactory to the Purchasers and shall be in full force and effect on the date of Closing.

5.11 PROCEEDINGS AND DOCUMENTS. All corporate and other proceeding in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to the special counsel to the Purchasers and the special counsel to the Purchasers shall have received all such counterpart originals or certified or other copies of such documents as such special counsel may reasonably request.

6. REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE COMPANY.

The Company represents, covenants and warrants to each of the Purchasers, as of the date of the Closing, that:

6.1 ORGANIZATION; POWER AND AUTHORITY. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement, the Restated Note Agreement and the Restated Notes and to perform the provisions hereof and thereof.

6.2 AUTHORIZATION; OBLIGATIONS ARE ENFORCEABLE; WAIVER OF DEFENSES This Agreement, the Restated Note Agreement and the Restated Notes have been duly authorized by all necessary corporate action on the part of the Company, and each of this Agreement and the Restated Note Agreement constitutes, and upon execution and delivery thereof each Restated Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Company agrees that it is not currently aware of any grounds for disputing the validity or enforceability of the Indenture, the Restated Note Agreement, the Notes or any of its respective obligations thereunder in any judicial, administrative or other proceeding, either prior to or following the consummation of the Closing. To the extent there currently exists any defenses, offsets, rights of recoupment, counterclaims or claims of any nature in respect of the Notes, or any other grounds for disputing the validity or enforceability of the Restated Note Agreement or the Restated Notes, the Company hereby expressly waives, releases and discharges the same.

6.3 DISCLOSURE. The Company, through its agent, J.P. Morgan Securities, Inc., has delivered to each Purchaser a copy of a Private Placement Memorandum, dated April 9, 1997 (the "MEMORANDUM"), relating to the transactions contemplated hereby. Except as disclosed in Schedule 6.3, this Agreement, the Memorandum, the documents, certificates or other writings identified in Schedule 6.3 and the financial statements listed in Schedule 6.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Memorandum or as expressly described in Schedule 6.3, or in one of the documents, certificates or other writings identified therein, or in the financial statements listed in Schedule 6.5, since February 3, 1996 there has been no change in the financial condition, operations, business, or properties of the Company or any Subsidiary except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect.

6.4 ORGANIZATION AND OWNERSHIP OF SHARES OF SUBSIDIARIES.

(a) Schedule 6.4 is (except as noted therein) a complete and correct list of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 6.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 6.4).

(c) Each Subsidiary identified in Schedule 6.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

6.5 FINANCIAL STATEMENTS. The Company has delivered to each Purchaser copies of the financial statements of Consolidated Stores Corporation, a Delaware corporation, and its Subsidiaries listed in Schedule 6.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

6.6 COMPLIANCE WITH LAWS, OTHER INSTRUMENTS, ETC. The execution, delivery and performance by the Company of this Agreement, the Restated Note Agreement and the Restated Notes will not

(a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected,

(b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary, or

(c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

6.7 GOVERNMENTAL AUTHORIZATIONS, ETC. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement, the Restated Note Agreement or the Notes.

6.8 LITIGATION; OBSERVANCE OF STATUTES AND ORDERS.

(a) Except as disclosed in Schedule 6.8, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including, without limitation, Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

6.9 TAXES. The Company and its Subsidiaries have filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended February 3, 1991.

6.10 TITLE TO PROPERTY; LEASES. The Company and its Subsidiaries have good and sufficient title to their respective Material properties including all such properties reflected in the most recent audited balance sheet referred to in Section 6.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement except for those defects in title and Liens that individually or in the aggregate would not have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

6.11 LICENSES, PERMITS, ETC. Except as disclosed in Schedule 6.11, the Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

6.12 COMPLIANCE WITH ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that would reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $10,000,000 in the aggregate for all such Plans. The term "BENEFIT LIABILITIES" has the meaning specified in section 4001 of ERISA and the terms "CURRENT VALUE" and "PRESENT VALUE" have the meaning specified in section 3 of ERISA.

(c) The Company and the ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 6.12(e) is made in reliance upon and subject to the accuracy of the Purchasers' representation in Section 8 of this Agreement as to the sources of the funds used to pay the purchase price of the Notes to be purchased by the Purchaser.

(f) Schedule 6.12 sets forth all ERISA Affiliates and all "employee benefit plans" maintained by the Company (or any "affiliate" thereof) or in respect of which the Notes could constitute an "employer security" ("EMPLOYEE BENEFIT PLAN" has the meaning specified in section 3 of ERISA, "AFFILIATE" has the meaning specified in section 407(d) of ERISA and section V of the Department of Labor Prohibited Transaction Exemption 95-60 (60 FR 35925, July 12, 1995) and "EMPLOYER SECURITY" has the meaning specified in section 407(d) of ERISA).

6.13 PRIVATE OFFERING BY THE COMPANY. Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than two other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of section 5 of the Securities Act.

6.14 USE OF ORIGINAL PROCEEDS BY THE COMPANY. Neither the Company nor any agent acting on its behalf has taken or will take any action which might cause this Agreement, the Restated Note Agreement or the Restated Notes to violate Regulation G, Regulation T or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Exchange Act, in each case as in effect now or as the same may hereafter be in effect.

6.15 EXISTING INDEBTEDNESS. Except as described therein, Schedule 6.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of May 3, 1997, since which date there has been no Material change in the amounts, interest rates, sinking funds, instalment payments or maturities of the Indebtedness of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary the outstanding principal amount of which exceeds $10,000,000 that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

6.16 FOREIGN ASSETS CONTROL REGULATIONS, ETC. Neither the sale of the Notes by the Company nor its use of the proceeds thereof has violated or will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

6.17 STATUS UNDER CERTAIN STATUTES. Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Transportation Acts (49 U.S.C.), as amended, or the Federal Power Act, as amended.

7. REPRESENTATIONS AND WARRANTIES OF THE SELLER.

The Seller represents and warrants to each of the Purchasers, and acknowledges that each of the Purchasers are relying upon such representations and warranties in purchasing the Original Notes, as follows:

7.1 ORGANIZATION; POWER AND AUTHORITY. The Seller is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. The Seller has full power and authority, and has taken all action necessary, to execute and deliver this Agreement, to sell, transfer and assign the Original Notes, to fulfill its obligations hereunder and to consummate the transactions contemplated hereby.

7.2 OBLIGATION IS ENFORCEABLE. This Agreement constitutes a legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

7.3 COMPLIANCE WITH LAWS, OTHER INSTRUMENTS, ETC. The execution, delivery and performance by the Seller of this Agreement will not (i) contravene, result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other Material agreement or instrument to which the Seller is bound or by which the Seller or any of its properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Seller or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Seller.

7.4 GOVERNMENTAL AUTHORIZATIONS, ETC. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Seller of this Agreement.

7.5 PRIVATE OFFERING BY THE SELLER. Neither the Seller nor anyone acting on its behalf has offered the Original Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers and not more than two other Institutional Investors, each of which has been offered the Original Notes at a private sale for investment. Neither the Seller nor anyone acting on its behalf has taken, or will take, any action that would subject the offering or sale of the Original Notes to the registration requirement of Section 5 of the Securities Act or to the provisions of any securities or "Blue Sky" law of New York, Ohio, Connecticut, Illinois or Iowa. Based on the Purchasers' representations set forth in Section 8 hereof, the sale of the Original Notes to the Purchasers in accordance herewith will not require registration under the Securities Act nor qualification of an indenture with respect thereto under the Trust Indenture Act of 1939, as amended.

7.6 MATERIAL DOCUMENTATION. The documents, instruments and/or agreements listed in Schedule 7.6 are all of the material documents, instruments and agreements governing the Seller's rights and obligations in respect of its investment in the Original Notes. The Seller has delivered to the Purchasers true, accurate and complete copies (and in the case of the Original Notes, original securities) of each and every document, instrument and agreement listed in Schedule 7.6. The Seller has fully paid the entire purchase price for the Original Notes held by it and performed all obligations to be performed in respect of all such documents, instruments and agreements. The Seller has not given its consent to change, modify or amend, nor has it waived, any term or provision of the Indenture or the Original Notes.

7.7 GOOD TITLE. The Seller is the sole beneficial owner and the record holder of the Original Notes, and has good title and interest in and to the Original Notes, free and clear of any Liens or other adverse claims against the Seller. The Seller has made no prior conveyance or assignment of any of the Original Notes or any interest therein, and has made no agreement to do so with any Person. The Seller's transfer, assignment and sale of the Original Notes to the Purchasers hereunder will pass to the Purchasers, in the aggregate, good and valid title to all of

the Original Notes, free and clear of any Liens or other adverse claims. In making the representation set forth in the immediately preceding sentence, the Seller has assumed that each of the Purchasers is acquiring the Original Notes in good faith without notice of any adverse claim thereto.

7.8 PAYMENT STATUS. There are no amounts currently due and payable in respect of the Original Notes.

7.9 NO IMPAIRMENT. The interest of the Seller in and to the Original Notes is not subject to being voided, avoided, reduced, expunged, subordinated (except as expressly provided in the Indenture and in the Original Notes) or disallowed, and is not subject to any defense, claim, counterclaim, set-off or recoupment or other impairment of any kind, in each case, as a result of actions taken or omitted to be taken by the Seller. The Seller has no actual knowledge of any facts or circumstances that could cause the interest of the Seller in and to the Original Notes to be voided, avoided, reduced, expunged, subordinated (except as expressly provided in the Indenture and in the Original Notes) or disallowed, or that could subject such interest to any defense, claim, counterclaim, set-off or recoupment or other impairment of any kind, in each case, as a result of actions taken or omitted to be taken by any Person other than the Seller.

7.10 NO OBLIGATIONS. There is no liability or obligation of any kind (whether fixed, contingent, conditional or otherwise):

(a) in respect of the Original Notes being transferred to any Purchaser by the Seller, that such Purchaser is or shall be required to pay or otherwise perform, or

(b) in respect of the Notes being issued to any Purchaser by the Company that, except as set forth in the Side Letter, the Seller or any of its Affiliates is or shall be required to pay or otherwise perform.

The failure of the Seller or any such Affiliate to pay or perform its obligations or liabilities set forth in the Side Letter will not result in any (i) liability or obligation of any kind (whether fixed, contingent, conditional or otherwise) to any Purchaser or (ii) right of offset in favor of the Company in respect of its obligations at any time owed to the holders of the Notes.

7.11 NO DEFAULTS. To the best of the Seller's knowledge, there are no defaults, or events which with the passage of time or the giving of notice or both would become defaults, under the Indenture or the Original Notes.

7.12 WARRANTIES UNDER NEW YORK UNIFORM COMMERCIAL CODE. The Seller hereby makes to each Purchaser each of the warranties and representations set forth in: (a) section 3-417(2) of the Uniform Commercial Code of the State of New York (regardless of whether the Notes qualify as an instrument or negotiable instrument within the meaning of such code); and (b) section 8-306(2) of the Uniform Commercial Code of the State of New York.

7.13 NO CONTROL STATUS. The Seller is not a Person (either alone or together with others) directly or indirectly controlling or controlled by the Company within the meaning of the Securities Act.

7.14 NO TRANSFER TAXES. No stamp or transfer tax or governmental charge will be imposed in connection with the sale and transfer of the Original Notes to the Purchasers.

7.15 ERISA. The Original Notes are not being sold by (i) a bank single entity trust fund, insurance company segregated separate account or employee pension benefit plan or (ii) a bank collective investment fund or insurance company pooled separate account in which any employee pension benefit plan participates to the extent of 10% or more.

7.16 ASSETS OF SELLER. The Original Notes do not constitute substantially all of the assets of the Seller.

8. REPRESENTATIONS OF THE PURCHASER.

8.1 PURCHASE FOR INVESTMENT. Each Purchaser represents that

(a) it is purchasing the Notes listed on Schedule A below its name for investment for its own account, for a separate account (as such term is used in Rule 144A, 17 C.F.R. ss.230.144A), for the account of another for which it has sole investment discretion, or for a trust of which it is the trustee,

(b) it is an "accredited investor" as defined in section 2(15) of the Securities Act,

(c) it understands that the Notes have not been registered under the Securities Act and may be resold only if registered in accordance with the provisions of the Securities Act or if any exemption from such registration is available for such sale,

(d) it has had an opportunity to review the Memorandum and obtain information relevant to the Company, and

(e) it is not purchasing the Notes with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act;

provided, that this representation shall not be deemed to prejudice any Purchaser's right to

(A) sell or otherwise dispose of all or any part of the Notes in compliance with the Securities Act or the rules and regulations thereunder; and

(B) have control over the disposition of all of its assets to the fullest extent permitted or required by any applicable law;

provided, further, that nothing in clause (d) above shall in any way limit the representations and warranties of the Company and the Seller set forth herein or the ability of any Purchaser to rely thereon.

8.2 SOURCE OF FUNDS. Each Purchaser represents that at least one of the following statements is an accurate representation as to each source of funds (a "SOURCE") to be used by it to pay the purchase price of the Notes to be purchased by it hereunder:

(a) the Source is an "insurance company general account" as defined in Department of Labor Prohibited Transaction Exemption 95-60 (60 FR 35925, July 12, 1995) and in respect thereof such Purchaser represents that there is no "employee benefit plan" (as defined in section 3(3) of ERISA and section 4975(e)(1) of the IRC, treating as a single plan all plans maintained by the same employer or employee organization or affiliate thereof) with respect to which the amount of the general account reserves and liabilities of all contracts held by or on behalf of such plan exceed ten percent (10%) of the total reserves and liabilities of such general account (exclusive of separate account liabilities) plus surplus, as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) if such Purchaser is an insurance company, the Source does not include assets allocated to any separate account maintained by such Purchaser in which any employee benefit plan (or its related trust) has any interest, other than a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to such plan and to any participant or beneficiary of such plan (including any annuitant) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of Prohibited Transaction Exemption ("PTE") 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as such Purchaser has disclosed to the Company in writing pursuant to this paragraph (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and

(i) the identity of such QPAM and

(ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (d); or

(e) the Source is a governmental plan; or

(f) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (f); or

(g) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "EMPLOYEE BENEFIT PLAN", "GOVERNMENTAL PLAN", "PARTY IN INTEREST" and "SEPARATE ACCOUNT" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

9. EXPENSES, ETC.

9.1 EXPENSES. Whether or not the purchase of the Notes contemplated hereby is consummated, the Seller will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by the Purchasers in connection with such transaction, including, without limitation, the costs and expenses (including, without limitation, any such expenses in connection with a bankruptcy proceeding in respect of the Seller) incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights against the Seller under this Agreement or in responding to any subpoena or other legal process or informal investigative demand issued in connection with such rights against the Seller under this Agreement. The Seller will pay, and will save the Purchasers harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by the Purchasers).

9.2 SURVIVAL. The obligations of the Seller under this Section will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

10. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by each Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of any Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company or the Seller, as the case may be, pursuant to this Agreement shall be deemed representations and warranties of the Company or the Seller, as the case may be, under this Agreement. Subject to the preceding sentence, this Agreement, the Restated Note Agreement and the Restated Notes, as the case may be, embody the entire agreement and understanding

(a) between each Purchaser and the Company, and supersede all prior agreements and understandings relating to the subject matter hereof and thereof,

(b) between each Purchaser and the Seller, and supersede all prior agreements and understandings relating to the subject matter hereof and thereof, and

(c) between the Seller and the Company and supersede all prior agreements and understandings relating to the subject matter hereof and thereof, except as otherwise specified in the Side Letter.

11. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to a Purchaser or its nominee, to such Purchaser or its nominee at the address specified for such communications in Schedule A, or at such other address such Purchaser or its nominee shall have specified to the other parties in writing;

(ii) if to the Company, to Consolidated Stores Corporation, 300 Phillipi Road, P.O. Box 28512, Columbus, Ohio 43228-0512, Attention: General Counsel; Telecopier: (614) 278-6763; or at such other address as the Company shall have specified to the other parties in writing;

(iii) if to the Seller, to C.V.S. Corporation, One CVS Drive, Woonsocket, Rhode Island 02895, Attention Mr. Philip C. Galbo; Telecopier: (401) 769-2211; or at such other address as the Seller shall have specified to the other parties in writing; and

(iv) if to the Trustee, to The Bank of New York, 101 Barclay Street, Floor 21 West, New York, New York 10286, Attention: Corporate Trust Trustee Administration; Telecopier: (212) 815-5915; or at such other address as the Seller shall have specified to the other parties in writing.

Notices under this Section 11 will be deemed given only when actually received.

12. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by the Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to each Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and such Purchaser may destroy any original document so reproduced. Each of the Company, the Trustee and the Seller, as the case may be, agree and stipulate that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by a Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 12 shall not prohibit the Company, the Seller, the Trustee or any holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

13. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that it has agreed to purchaser hereunder, by written notice to the Company and the Seller, which notice shall be signed by both the Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 8. Upon receipt of such notice, wherever the word "Purchaser" is used in this Agreement (other than in this Section 13), such word shall be deemed to refer to such Affiliate in lieu of such Purchaser. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to the Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company and the Seller of notice of such transfer, wherever the word "Purchaser" is used in this Agreement (other than in this Section 13), such word shall no longer be deemed to refer to such Affiliate, but shall refer to such Purchaser, and such Purchaser shall have all the rights of an original holder of the Notes under this Agreement.

14. MISCELLANEOUS.

14.1 SUCCESSORS AND ASSIGNS. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including without limitation, any subsequent holder of a Note) whether so expressed or not.

14.2 SEVERABILITY. Any provisions of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

14.3 CONSTRUCTION. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

14.4 SECTION HEADINGS, TABLE OF CONTENTS, ETC. The titles of the Sections and the Table of Contents appear as a matter of convenience only, do not constitute a part hereof and shall not affect the construction hereof. The words "herein," "hereof," "hereunder" and "hereto" refer to this Agreement as a whole and not to any particular Section or other subdivision. References to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement. References to a "Section" are, unless otherwise specified, references to a Section of this Agreement.

14.5 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consists of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

14.6 GOVERNING LAW. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

[Remainder of page intentionally blank. Next page is signature page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

CONSOLIDATED
STORES CORPORATION

By /s/ Michael J. Potter

Name: Michael J. Potter
Title: Senior Vice President
Chief Financial Officer

NASHUA HOLLIS CVS, INC.

By /s/ Nancy Christal

Name: Nancy Christal
Title: President and Treasurer

CONNECTICUT GENERAL LIFE INSURANCE
COMPANY
BY: CIGNA INVESTMENTS, INC.

By /s/ Stephen A. Osborn

Name: Stephen A. Osborn
Title: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE
COMPANY ON BEHALF OF ONE OR MORE
SEPARATE ACCOUNTS
BY: CIGNA INVESTMENTS, INC.

By /s/ Stephen A. Osborn

Name: Stephen A. Osborn
Title: Managing Director

EXHIBIT 10(a)

LIFE INSURANCE COMPANY OF NORTH AMERICA
By: CIGNA Investments, Inc.

By /s/ Stephen A. Osborn

Name: Stephen A. Osborn
Title: Managing Director

PRINCIPAL MUTUAL LIFE INSURANCE COMPANY

By /s/ Jon C. Heiny

Name: Jon C. Heiny
Title: Counsel

By /s/ Christopher J. Henderson

Name: Christopher J. Henderson
Title: Counsel

NIPPON LIFE INSURANCE COMPANY OF AMERICA, BY ITS ATTORNEY IN FACT PRINCIPAL MUTUAL LIFE INSURANCE COMPANY

By /s/ Jon C. Heiny

Name: Jon C. Heiny
Title: Counsel

By /s/ Christopher J. Henderson

Name: Christopher J. Henderson
Title: Counsel

ALLSTATE LIFE INSURANCE COMPANY

By /s/ Patricia W. Wilson

Name: Patricia W. Wilson

By /s/ Steven M. Laude

Name: Steven M. Laude

Authorized Signatories

ALLSTATE INSURANCE COMPANY

By /s/ Patricia W. Wilson

Name: Patricia W. Wilson

By /s/ Steven M. Laude

Name: Steven M. Laude

Authorized Signatories

THE BANK OF NEW YORK, AS TRUSTEE

By /s/ Mary Jane Morrissey

Name: Mary Jane Morrissey
Title: Vice President

EXHIBIT 10(b)

CONSOLIDATED STORES CORPORATION

NOTE AGREEMENT

Dated as of May 9, 1997

$100,000,000
7% Senior Subordinated Notes Due May 4, 2000

TABLE OF CONTENTS EXHIBIT 10(b)

EXHIBIT 10(b)

CONSOLIDATED STORES CORPORATION
300 Phillipi Road
Columbus, Ohio 43228-0512

7% SENIOR SUBORDINATED NOTES DUE MAY 4, 2000

Dated as of May 9, 1997

[SEPARATELY ADDRESSED TO EACH OF THE
PURCHASERS NAMED IN SCHEDULE A HERETO]

Ladies and Gentlemen:

CONSOLIDATED STORES CORPORATION, an Ohio corporation (together with its successors and assigns, the "COMPANY"), agrees with you as follows:

1. PRELIMINARY STATEMENT; DESCRIPTION OF NOTES.

1.1 PRELIMINARY STATEMENT.

On the Issue Date, the Company entered into that certain Indenture (as in effect immediately prior to the Closing, the "ORIGINAL NOTE INDENTURE"), dated as of the Issue Date, with The Bank of New York (the "INDENTURE TRUSTEE"), a New York banking corporation, as Trustee thereunder, pursuant to which on the Issue Date the Company issued and sold the Original Notes to Melville Corporation. Melville Corporation caused all of the Original Notes, through one or more Persons controlled by it, to be assigned and transferred to Nashua Hollis CVS, Inc. (Nashua Hollis CVS, Inc. is hereinafter referred to as the "ORIGINAL PURCHASER"), a New Hampshire corporation. Contemporaneously with the execution and delivery hereof, the Company, the Trustee, the Original Purchaser and the purchasers named in Schedule A (collectively, the "PURCHASERS") have entered into that certain Transfer Agreement (the "TRANSFER AGREEMENT"), dated as of May 9, 1997, pursuant to which (a) the Original Purchaser has sold to the Purchasers, and Purchasers have purchased, all of the Original Notes at the purchase price of 98.60975% of the principal amount thereof plus accrued and unpaid interest thereon, and (b) the Company and the Purchasers, as transferees of 100% in aggregate principal amount of the Original Notes, have agreed, subject to the satisfaction of the conditions precedent set forth in Section 4, to (i) the amendment and restatement in full of the Original Note Indenture by this Agreement and the Other Agreements, (ii) the amendment and restatement in full of the Original Notes in the form set out in Exhibit 1, and (iii) the removal of the Indenture Trustee and the termination and discharge of the Original Note Indenture.

1.2 DESCRIPTION OF ORIGINAL NOTES.

On May 1, 1996, the Company authorized the issue and sale of, and on the Issue Date the Company issued and sold, $100,000,000 aggregate principal amount of its 7% Senior Subordinated Notes due May 4, 2000 (the "ORIGINAL NOTES"), dated the date of issue, bearing interest (computed on the basis of a 360-day year of twelve 30-day months) from such date at the

rate of 7% per annum, payable semiannually on April 15 and October 15 in each year (commencing October 15, 1996) and at maturity, and having such other terms as therein and in the Original Note Indenture provided.

1.3 DESCRIPTION OF RESTATED NOTES.

Pursuant to the Transfer Agreement, the Company and the Purchasers have agreed to amend and restate in full the Original Notes in the form set out in Exhibit 1 (the "NOTES", such term to include each Note delivered pursuant to this Agreement and the Other Agreements, and any such notes issued in substitution therefor pursuant to Section 13 of this Agreement and the Other Agreements), with such changes therefrom, if any, as may be approved by you and the Company. All amounts owing under, and evidenced by, the Original Notes as of the date of the Closing shall continue to be outstanding under, and shall on and after the date of the Closing be evidenced by, the Notes, and shall be repayable in accordance with this Agreement. The term "Notes" shall be deemed, when reference is made to a date prior to the date of Closing, to be a reference to the Original Notes, and when reference is made to a date on or after the date of Closing, to be a reference to the Notes.

In furtherance of the foregoing, the Company agrees with you and each Other Purchaser that all Original Notes outstanding on the date of Closing are hereby, without any further action being required on the part of the holders thereof or on the part of any other Person, deemed to be conformed to the form of Note attached to this Agreement and the Other Agreements as Exhibit 1. The outstanding Notes shall be and are entitled to all of the rights and benefits provided therefor in this Agreement and the Other Agreements.

1.4 DEFINED TERMS; RULES OF CONSTRUCTION.

Certain terms used in this Agreement are defined in Schedule B. References to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement. References to a "Section" are, unless otherwise specified, references to a Section of this Agreement. The words "herein," "hereof," "hereunder" and "hereto" refer to this Agreement as a whole and not to any particular Section or other subdivision.

Unless the context otherwise requires: (a) a term has the meaning assigned to it; (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP; (c) "or" is not exclusive; (d) "including" means including, without limitation; (e) words in the singular include the plural, and words in the plural include the singular; and (f) any gender used in this Agreement shall be deemed to include the neuter, masculine and feminine gender.

2. EXECUTION AND DELIVERY OF NOTES.

Subject to the terms and conditions of this Agreement and the Transfer Agreement, the Company will execute and deliver to you, at the Closing provided for in Section 3, one or more Notes in the principal amount specified below your name in Schedule A in replacement of the Original Notes contemporaneously acquired from the Original Purchaser under the Transfer Agreement and held by you. Contemporaneously with entering into this Agreement, the Company is entering into separate Note Agreements (as may be amended or supplemented from time to time, the "OTHER AGREEMENTS") identical (except for the identity and signature of the purchaser) with this Agreement with each of the other purchasers named in Schedule A (the "OTHER PURCHASERS"), providing for the amendment and restatement of the Original Notes held

by each Other Purchaser, and the substitution therefor of Notes in the principal amount specified below its name in Schedule A. Your obligation hereunder and the obligations of the Other Purchasers under the Other Agreements are several and not joint obligations and you shall have no obligation under any Other Agreement and no liability to any Person for the performance or non-performance by any Other Purchaser thereunder.

3. CLOSING.

The sale, purchase and replacement of the Notes to be acquired by you and the Other Purchasers shall occur at the offices of Hebb & Gitlin, One State Street, Hartford, Connecticut 06103, at 10:00 a.m., local time, at a closing (the "Closing") on May 16, 1997. At the Closing the Company will deliver to you the Notes to be acquired by you (in replacement of the Original Notes contemporaneously purchased by you) in the form of a single Note (or such greater number of Notes in denominations of at least $100,000 as you may request), dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company of an equal aggregate principal amount of Original Notes. If at the Closing the Company shall fail to tender such Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

4. CONDITIONS TO CLOSING.

Your obligations under this Agreement, including, without limitation, the obligation to purchase and pay for the Notes to be delivered to you at the Closing, are subject to the conditions precedent set forth Section 5 of the Transfer Agreement, which conditions precedent are incorporated herein by reference with the same force and effect as though set forth herein in full, and the failure by the Company or any other party to the Transfer Agreement, as the case may be, to satisfy all such conditions shall relieve you, at your election, of all such obligations.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

To induce you to enter into this Agreement and to purchase and pay for the Notes to be delivered to you at the Closing, the Company makes the warranties and representations set forth in Section 6 of the Transfer Agreement, effective as of the date of the execution of this Agreement by the Company, which warranties and representations are incorporated herein by reference with the same force and effect as though set forth herein in full.

6. REPRESENTATIONS OF EACH PURCHASER.

Each Purchaser makes the representations set forth in Section 8 of the Transfer Agreement, effective as of the date of the execution of this Agreement by such Purchaser, which representations are incorporated herein by reference with the same force and effect as though set forth herein in full.

7. INFORMATION AS TO COMPANY.

7.1 Financial and Business Information.

The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) QUARTERLY STATEMENTS -- within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, consolidated the financial position of the companies being reported on and their consolidated results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) ANNUAL STATEMENTS -- within 120 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the consolidated financial position of the companies being reported upon and their consolidated results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year prepared in accordance

with the requirements therefor and filed with the Securities and Exchange Commission, shall be deemed to satisfy the requirements of this Section (b);

(c) SEC AND OTHER REPORTS -- promptly upon their becoming available, one copy of each financial statement, report (including, without limitation, the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act), notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission;

(d) NOTICE OF DEFAULT OR EVENT OF DEFAULT -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA MATTERS -- promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date of the Closing; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect; and

(f) REQUESTED INFORMATION -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes, or such information regarding the Company required to satisfy the requirements of 17 C.F.R. section 230.144A, as amended from time to time, in connection with any contemplated transfer of the Notes.

7.2 OFFICER'S CERTIFICATE.

Each set of financial statements delivered to a holder of Notes pursuant to Section (a) or Section (b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) COVENANT COMPLIANCE -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.1 through Section 10.6, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) EVENT OF DEFAULT -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review has not disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3 INSPECTION.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) NO DEFAULT -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and, with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) DEFAULT -- if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

8. PAYMENT OF THE NOTES.

8.1 PAYMENT AT MATURITY.

The entire principal amount of the Notes remaining outstanding on May 4, 2000, together with interest accrued thereon, shall become due and payable on May 4, 2000.

8.2 OPTIONAL PREPAYMENTS WITH MAKE-WHOLE AMOUNT.

The Company may, at its option, upon notice as provided below, prepay at any time on and after May 5, 1998, all, or from time to time thereafter any part of, the Notes in an amount not less than 5% of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, together with interest accrued thereon, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such prepayment date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

8.3 CHANGE IN CONTROL.

(a) NOTICE OF CHANGE IN CONTROL OR CONTROL EVENT. The Company will, within 30 days after any Responsible Officer has knowledge of the occurrence of any Change in Control or Control Event, give written notice of such Change in Control or Control Event to each holder of Notes. If a Change in Control has occurred, such notice shall contain and constitute an irrevocable offer to prepay Notes as described in Section and shall be accompanied by the certificate described in Section .

(b) OFFER TO PREPAY NOTES. The offer to prepay Notes contemplated by Section shall be an offer to prepay, in accordance with and subject to this Section , all, but not less than all, the Notes held by each holder (in this case only, "holder" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the "PROPOSED PREPAYMENT DATE"), that is not less than 30 days and not more than 45 days after the date of such offer (if the Proposed Prepayment Date shall not be specified in such offer, the Proposed Prepayment Date shall be the 45th day after the date of such offer).

(c) ACCEPTANCE; REJECTION. A holder of Notes may accept the offer to prepay made pursuant to this Section by causing a notice of such acceptance to be delivered to the Company at least 5 days prior to the Proposed Prepayment Date. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this Section shall be deemed to constitute a rejection of such offer by such holder.

(d) PREPAYMENT. Prepayment of the Notes to be prepaid pursuant to this Section shall be at 101% of the principal amount of such Notes, together with interest on such Notes accrued to the date of prepayment. The prepayment shall be made on the Proposed Prepayment Date.

(e) OFFICER'S CERTIFICATE. Each offer to prepay the Notes pursuant to this Section shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying:

(i) that such offer is made pursuant to this Section;

(ii) the Proposed Prepayment Date;

(iii) the last date upon which the offer can be accepted, and setting forth the consequences of failing to provide an acceptance, as provided in Section ;

(iv) the principal amount of each Note offered to be prepaid;

(v) the amount of the premium due in connection with such prepayment;

(vi) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Prepayment Date;

(vii) that the conditions of this Section have been fulfilled; and

(viii) in reasonable detail, the nature and date or proposed date of the Change in Control.

(f) EFFECT OF SENIOR INDEBTEDNESS UPON PREPAYMENTS. Notwithstanding any other provision of this Section , if at the time of the occurrence of a Change in Control, the terms of any Senior Indebtedness restrict or prohibit the repurchase of the Notes pursuant to this Section , then prior to the mailing of the notice to holders of Notes provided for in this Section but in any event within 30 days following any such Change in Control, the Company shall eliminate such restriction or prohibition by (i) repaying in full all such Senior Indebtedness or offering to repay in full all such Senior Indebtedness and repaying the Indebtedness of each lender who accepts such offer or (ii) obtaining any required consent or waiver under all such Senior Indebtedness to permit the prepayment of the Notes as provided for in this Section.

8.4 OFFER TO PAY OUT OF EXCESS PROCEEDS.

(a) OFFER. If and when the aggregate amount of Excess Proceeds received by the Company and its Subsidiaries in connection with Asset Sales made in accordance with Section exceeds $5,000,000, the Company shall make an irrevocable offer to the holders of the Notes to pay the principal of the Notes (together with any interest accrued and unpaid thereon) in an amount equal to such aggregate amount of Excess Proceeds. Such offer shall satisfy the requirements of Section applicable thereto.
Such offer will be in writing and will

(i) refer to this Section ,

(ii) briefly describe the nature of the Asset Sale and the Net Cash Proceeds received in connection therewith,

(iii) specify the prepayment date (the "PREPAYMENT DATE"), which shall not be less than 30 days after, nor more than 45 days after, the date of such offer,

(iv) specify the last date upon which the offer can be accepted, and state the consequences of failing to provide an acceptance, as provided in Section ,

(v) specify the amount of such offer (the "DISPOSITION PAYMENT AMOUNT"), the minimum ratable share of such Disposition Payment Amount payable in respect of each Note (such minimum ratable share to be determined on the basis of the aggregate principal amount of all Notes outstanding immediately prior to the making of such offer) and the principal amount of each Note offered to be prepaid on such Prepayment Date,

(vi) specify the amount of interest that would be due on each Note offered to be prepaid, accrued to such Prepayment Date, and

(vii) be executed by a Senior Financial Officer of the Company.

(b) ACCEPTANCE, REJECTION. To accept or reject such offered payment, a holder of Notes shall cause a notice of such acceptance or rejection to be delivered to the Company at least 5 days prior to the Prepayment Date. A failure to respond to any such offer of payment as provided in this Section shall be deemed to constitute a rejection of such offer.

(c) PAYMENT. The Company shall pay to each holder which shall have accepted such offer a principal amount equal to such holder's ratable share of the Disposition Payment Amount (such ratable share to be determined on the basis only of the aggregate principal amount of the Notes outstanding immediately prior to the making of such offer which shall have accepted such offer) at 100% of such principal amount, together with interest thereon accrued to such Prepayment Date, which amount shall become due and payable on such Prepayment Date. The Company shall, promptly after making such payment, notify in writing all holders of Notes of the payment amount, and the name of each holder, of any Notes prepaid under this Section 8.4.

8.5 ALLOCATION OF PARTIAL PREPAYMENTS.

In the case of each partial prepayment of the Notes pursuant to Section 8.2, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

8.6 MATURITY; SURRENDER, ETC.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable premium or Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and premium or Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.7 PURCHASE OF NOTES.

The Company will not and will not permit any Affiliate to purchase, redeem or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or redemption of the Notes in accordance with the terms of this Agreement and the Notes or (b) pursuant to an offer to purchase made by the Company or an Affiliate pro rata to the holders of all Notes at the time outstanding upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 15 Business Days. If the holders of more than 50% of the principal amount of the Notes then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact (the "Second Notice") and the expiration date for the acceptance by holders of Notes of such offer shall be extended by the number of days necessary to give each such remaining holder at least 15 Business Days from its receipt of such Second Notice to accept such offer. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

8.8 MAKE-WHOLE AMOUNT.

The term "MAKE-WHOLE AMOUNT" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"CALLED PRINCIPAL" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to the terms hereof or that has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"DISCOUNTED VALUE" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"REINVESTMENT YIELD" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by

(a) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page USD" on the Bloomberg Financial Markets System (or such other display as may replace Page USD on the Bloomberg Financial Markets System) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or

(b) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

Such implied yield will be determined, if necessary, by (i) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (ii) interpolating linearly between (1) the actively traded U.S. Treasury security with the duration closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the duration closest to and less than the Remaining Average Life.

"REMAINING AVERAGE LIFE" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (i) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (ii) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"REMAINING SCHEDULED PAYMENTS" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date.

"SETTLEMENT DATE" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to the terms hereof or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

8.9 SIDE LETTER.

Notwithstanding any agreements or understandings between the Company and the Original Purchaser or any of its Affiliates in respect of the Original Notes or the Notes, or any breach of or default under any such agreements or understandings, all payments to be made by the Company to the holders of the Notes shall be made without any offset, right of recoupment, defense, counterclaim or claim of any nature arising out of any such agreement or understanding, including, without limitation, the Side Letter.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

9.1 PAYMENT OF NOTES.

The Company shall pay the principal of, premium or Make-Whole Amount, if any, and interest (including interest accruing on or after the filing of a petition in bankruptcy or reorganization relating to the Company, whether or not a claim for post-filing interest is allowed in such proceeding) on the Notes on (or prior to) the dates and in the manner provided in the Notes or pursuant to this Agreement. The Company shall pay interest on overdue principal and premium or Make-Whole Amount, if any, and interest on overdue installments of interest (including interest accruing on or after the filing of a petition in bankruptcy or reorganization relating to the Company, whether or not a claim for post-filing interest is allowed in such proceeding), to the extent lawful, at the rate per annum borne by the Notes, which interest on overdue interest shall accrue from the date such amounts became overdue. The provisions of this Section shall not be deemed to excuse any Event of Default set forth in Section 11.

9.2 MAINTENANCE OF OFFICE OR AGENCY.

The Company will maintain an office at the address of the Company as provided in Section 18 where notices, presentations and demands to or upon the Company in respect of the Notes and this Agreement may be made or served. The Company shall give prompt written notice to the holders of the Notes of any change of location of such office, which will in any event be located within the United States of America.

9.3 PAYMENT OF TAXES AND OTHER CLAIMS.

The Company shall pay or discharge or cause to be paid or discharged, before any penalty accrues thereon:

(a) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary upon the income, profits or property of the Company or any Subsidiary; and

(b) all lawful claims for labor, materials and supplies which, if unpaid, would by law become a lien upon the property of the Company or any Subsidiary;

provided, however, that neither the Company nor any Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and, if required by GAAP, for which adequate provision has been made.

9.4 CORPORATE EXISTENCE.

Subject to Section , the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate, partnership or other existence of any Subsidiary in accordance with the respective organizational documents of such Subsidiary and the rights (charter and statutory), licenses and franchises of the Company and its Subsidiaries, provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any Subsidiary, if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries, taken as a whole, and that the loss thereof is not reasonably likely to have a Material Adverse Effect.

9.5 MAINTENANCE OF PROPERTIES AND INSURANCE.

The Company shall cause all material properties owned by or leased to it or any Subsidiary and necessary in the conduct of its business or the business of such Subsidiary to be maintained and kept in normal condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company or any Subsidiary from discontinuing the operation or maintenance of any such properties or disposing of any of them, if such discontinuance or disposal is determined by the Board of Directors of the Company or the Board of Directors of the applicable Subsidiary to be desirable in the conduct of the business of the Company or the business of such Subsidiary.

The Company shall provide or cause to be provided, for itself and any Subsidiaries, insurance (including appropriate self-insurance, if adequate reserves are maintained with respect thereto) against loss or damage of the kinds customarily insured against by corporations similarly situated and owning like properties, including, but not limited to, public liability insurance, with reputable insurers in such amounts, with such deductibles and by such methods as shall be customary for corporations similarly situated in the industry.

9.6 INVESTMENT COMPANY ACT.

The Company shall not become an investment company subject to registration under the Investment Company Act of 1940, as amended.

9.7 COVENANT TO COMPLY WITH SECURITIES LAWS UPON PURCHASE OF NOTES.

In connection with any offer to purchase or purchase of Notes under Section or Section , the Company shall: (a) comply with all tender offer rules under the Exchange Act which may then be applicable, including Rule 14e-1 thereunder; and (b) otherwise comply with all federal and state securities laws so as to permit the rights and obligations under Section and Section to be exercised in the time and in the manner specified in Section and Section , as the case may be.

9.8 COMPLIANCE WITH LAW.

The Company shall and shall cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and shall obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

10.1 LIMITATION ON RESTRICTED PAYMENTS.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly:

(a) declare or pay any dividend on, or make any distribution in respect of its Capital Stock;

(b) purchase, redeem or otherwise acquire or retire for value any of its Capital Stock;

(c) make any Investment in any Person (other than Permitted Investments); or

(d) purchase, redeem or otherwise acquire or retire for value, prior to a scheduled mandatory sinking fund payment date or maturity date,

(1) any Indebtedness of the Company which ranks subordinate in right of payment to the Notes, or

(2) any Indebtedness of any Subsidiary

(each such declaration, payment, distribution, purchase, redemption, acquisition, retirement or Investment being referred to as a "RESTRICTED PAYMENT") if, at the time of any such action, or after giving effect to such Restricted Payment:

(i) an Event of Default or a Default shall have occurred and be continuing;

(ii) the aggregate amount of all Restricted Payments declared or made beginning on the Issue Date shall exceed the sum of

(X) 50% of the Company's Consolidated Net Income accrued on a cumulative basis from February 4, 1996 through the last fiscal quarter ending prior to the date of such proposed Restricted Payment (or if the Company's cumulative Consolidated Net Income during such period shall be a deficit, minus 100% of such deficit), plus

(Y) the aggregate net proceeds received by the Company (other than from a Subsidiary) after the Issue Date as a capital contribution to the Company or from the issuance and sale of either Capital Stock (other than Disqualified Capital Stock) or Indebtedness that by its terms was convertible into such Capital Stock to the extent such Indebtedness shall have been converted into Capital Stock; or

(iii) the Company could not incur $1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to Section .

Notwithstanding any of the foregoing provisions of this Section , such provisions will not prevent: (1) the payment of any dividend within 60 days after the date of declaration, if at the date of declaration, such payment would comply with such provisions; (2) any dividend or other distribution on shares of Capital Stock payable solely in shares of Capital Stock (other than Disqualified Capital Stock); (3) any dividend or other distribution payable from a Subsidiary to the Company or any Wholly-owned Subsidiary of the Company; and (4) payment by a Subsidiary of any amounts due in accordance with the provisions of any Senior Indebtedness.

10.2 LIMITATION ON ADDITIONAL INDEBTEDNESS.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume, guarantee or otherwise become directly or indirectly liable for the payment of any Indebtedness (including Acquired Indebtedness), except that the Company or its Subsidiaries may Incur Permitted Indebtedness and may create, incur, assume, guarantee or otherwise become directly or indirectly liable for the payment of Indebtedness (in addition to Permitted Indebtedness) if, after giving pro forma effect to the incurrence of such Indebtedness, the Consolidated Fixed Charge Coverage Ratio for the four full fiscal quarters immediately preceding the incurrence of such Indebtedness, taken as one period and calculated on the assumption that such Indebtedness had been incurred (and the proceeds thereof were used to repay Indebtedness, if applicable) on the first day of such four full fiscal quarter period and, in the case of Acquired Indebtedness, on the assumption that the related acquisition (whether by means of purchase, merger, amalgamation or otherwise) also had occurred on such date with the appropriate adjustments (including the inclusion of the Consolidated Net Income of the acquired Person) with respect to such acquisition being included in such pro forma calculation, would have been greater than or equal to 1.1 to 1.0.

10.3 DIVIDEND AND PAYMENT RESTRICTIONS AFFECTING SUBSIDIARIES.

The Company will not, and will not permit any Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Subsidiary to:

(a) pay dividends or make any other distribution in respect of its Capital Stock;

(b) pay any Indebtedness owed to the Company or any Subsidiary;

(c) make loans or advances to the Company or any Subsidiary; or

(d) transfer any of its property or assets to the Company or any Subsidiary;

except for such encumbrances or restrictions

(i) existing as of the Issue Date or arising pursuant to the Revolving Credit Facility,

(ii) pursuant to an agreement relating to any Indebtedness by such Subsidiary prior to the date on which such Subsidiary was acquired,

(iii) pursuant to an agreement which has been entered into for the pending sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary (provided that such restriction terminate upon consummation of such disposition),

(iv) pursuant to customary non-assignment provisions and leases entered into in the ordinary course of business, or

(v) pursuant to an agreement effecting a renewal, extension, refinancing or refunding of Indebtedness incurred pursuant to an agreement or arrangement referred to in clause (i) or clause (ii) above; provided, however, that provisions related to such encumbrance or restriction contained in any such renewal, extension, refinancing or refunding are no more restrictive in any material respect than the provisions contained in the agreement it replaces.

10.4 LIMITATION ON TRANSACTIONS WITH AFFILIATES.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, any sale, purchase, exchange or lease of assets, property or services or any loan or any other direct or indirect payment, transfer or other disposition) with any Affiliate of the Company or of any of its Subsidiaries unless:

(a) such Affiliate is (both before and after such transaction) (i) a Wholly-Owned Subsidiary or (ii) a Subsidiary, none of whose minority interests are held by another Affiliate of the Company or of any of its Subsidiaries; or

(b) each such transaction and any series of related transactions is on terms that are no less favorable to the Company or such Subsidiary, as the case may be, than would be available in a comparable transaction with an unrelated third party;

provided, however, that with respect to a transaction or series of related transactions for which the total consideration (based on fair market value) is equal to or in excess of $5,000,000, a committee of the Board of Directors of the Company composed entirely of all of the disinterested Directors of the Company shall approve by unanimous resolution certifying that such transaction or series or transactions comply with clause (b) above; and provided, further, that the foregoing restriction shall not apply to

(i) any transaction pursuant to agreements in place as of the Issue Date, and

(ii) any transaction with an officer or director of the Company or of any Subsidiary in their capacity as officer or director entered into in the ordinary course of business (including compensation and employee benefit arrangements with any officer or director of the Company or of any Subsidiary).

Notwithstanding the foregoing, nothing in this Section shall prohibit the Company from engaging in transactions expressly permitted by Section .

10.5 LIMITATION ON ASSET SALES.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, make any Asset Sale unless:

(a) the Company or such Subsidiary, as the case may be, received consideration at the time of such Asset Sale at least equal to the fair market value for the stock or assets sold or otherwise disposed of (such value to be determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive and evidenced by a board resolution delivered to the holders of the Notes); and

(b) at least 75% of such consideration consists of cash.

Within 180 days of the receipt of Net Cash Proceeds from any Asset Sale, the Company, at its option, may apply the Net Cash Proceeds from such Asset Sale to (i) the permanent reduction of Senior Indebtedness in accordance with its terms, (ii) the purchase of replacement assets for the assets subject to such Asset Sale, or (iii) any combination of clauses (i) and (ii) above.

For purposes of the foregoing, "NET CASH PROCEEDS" means the aggregate amount of cash (including any other consideration that is immediately converted into cash) received by the Company or any of its Subsidiaries in respect of such an Asset Sale, less the sum of: (a) all out-of-pocket fees, commissions and other expenses incurred in connection with such Asset Sale, including the amount of income taxes required to be paid by the Company or any of its Subsidiaries in connection therewith; and (b) the aggregate amount of cash so received which is used to retire any existing Indebtedness of the Company or any of its Subsidiaries which is required to be repaid in connection therewith. If at any time any funds are received by or for the account of the Company or any of its Subsidiaries upon the sale, conversion, collection or other liquidation of any non-cash consideration received in respect of an Asset Sale, such funds shall,

when received, constitute Net Cash Proceeds and shall, within 180 days after the receipt of such funds, be applied as provided in the preceding paragraph or as provided in the succeeding paragraph. Notwithstanding the foregoing, $35,000,000 of what otherwise would be deemed Net Cash Proceeds received in any fiscal year will be excluded from Net Cash Proceeds and will not be subject to the restrictions contained in this Section.

Any Net Cash Proceeds that are not applied or invested as provided above shall constitute "EXCESS PROCEEDS". When the aggregate amount of Excess Proceeds exceeds $5,000,000, the Company will offer to purchase all of Notes from the holders thereof in accordance with the procedures described in Section . To the extent that the aggregate principal amount, plus accrued and unpaid interest thereon, of the Notes tendered pursuant to such offer is less than the Excess Proceeds, the Company may use such unused Excess Proceeds, or a portion thereof, for general corporate purposes. Upon completion of such offer to purchase, the amount of Excess Proceeds will be reset at zero.

10.6 WHEN THE COMPANY MAY MERGE OR TRANSFER ASSETS.

The Company (i) may not consolidate with or merge into any other Person; (ii) may not, directly or indirectly, in one or a series of transactions, transfer, convey, sell, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and its Subsidiaries on a consolidated basis; (iii) may not, and may not permit any Subsidiary to, acquire capital stock of or other ownership interests in any other Person such that such Person becomes a Subsidiary; and (iv) may not, and may not permit any Subsidiary to, (x) purchase, lease or otherwise acquire all or substantially all of the properties and assets of any Person or any existing business (whether existing as a separate entity, subsidiary, division, unit or otherwise) of any Person or (y) make any Investment in a Person that, as a consequence of such Investment, becomes a Subsidiary of the Company, unless:

(a) the Company shall be the continuing Person, or the Person, if other than the Company, formed by such consolidation or into which the Company is merged or to which the properties and assets of the Company, substantially as an entirety, are transferred shall be a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia and shall expressly assume, by an amendment hereto duly executed and delivered to the holders of the Notes, in form satisfactory to the Required Holders, all the obligations of the Company under the Notes and this Agreement, and this Agreement remains in full force and effect;

(b) immediately before and immediately after giving effect to such transaction, no Event of Default and no Default shall have occurred and be continuing;

(c) immediately before and immediately after giving effect to such transaction, the Company could incur $1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to Section ; and

(d) immediately after giving effect to such transaction on a pro forma basis, the Consolidated Net Worth of the surviving entity shall be equal to or greater than the Consolidated Net Worth of the Company immediately before such transaction.

Notwithstanding the foregoing, any Subsidiary of the Company may consolidate with, merge into or transfer all or part of its properties and assets to the Company or any other Subsidiary or Subsidiaries of the Company.

This Section shall not apply to any transaction or series of transactions involving the Company if a Change in Control shall result therefrom and the Company is required to comply with the provisions of Section , in which case Section shall apply.

In connection with any consolidation, merger or transfer contemplated hereby, the Company shall deliver, or cause to be delivered, to the holders of the Notes, in form and substance reasonably satisfactory to the Required Holders, a Specified Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and the amendment to this Agreement in respect thereto comply with this Section , and that all conditions precedent herein provided for relating to such transactions have been complied with.

Upon any consolidation or merger or any transfer of all or substantially all of the assets of the Company in accordance with the foregoing, the successor corporation formed by such consolidation or into which the Company is merged or to which the transfer is made, shall succeed to, and be substituted for, any may exercise every right and power of the Company under this Agreement with the same effect as if such successor corporation had been named as the Company herein; and thereafter, the Company shall be discharged and released from all obligation and covenants under this Agreement and the Notes.

11. EVENTS OF DEFAULT.

An "EVENT OF DEFAULT" shall exist if any of the following conditions or events shall occur and be continuing:

(a) PRINCIPAL, PREMIUM OR MAKE-WHOLE AMOUNT PAYMENT -- the Company defaults in the payment of any principal, premium or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) INTEREST PAYMENT -- the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) SPECIFIED COVENANTS -- the Company defaults in the performance of or compliance with any term contained in Section 10.6; or

(d) OTHER COVENANTS -- the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) any Executive Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note; or

(e) WARRANTIES AND REPRESENTATIONS -- any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement, the Transfer Agreement or in any writing furnished in connection with the

transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) CROSS-ACCELERATION -- the Company or any Material Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $10,000,000 (without giving effect to any period of grace provided with respect thereto), and as a consequence of such default such Indebtedness has become, or has been declared due and payable before its stated maturity or before its regularly scheduled dates of payment; or

(g) INSOLVENCY -- the Company or any Material Subsidiary

(i) is generally not paying, or admits in writing its inability to pay, its debts as they become due,

(ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction,

(iii) makes an assignment for the benefit of its creditors,

(iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property,

(v) is adjudicated as insolvent or to be liquidated, or

(vi) takes corporate action for the purpose of any of the foregoing; or

(h) APPOINTMENT OF A RECEIVER -- a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Material Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Material Subsidiaries, or any such petition shall be filed against the Company or any of its Material Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) FINAL JUDGMENT -- a final judgment or judgments for the payment of money aggregating in excess of $10,000,000 are rendered against one or more of the Company and its Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) ERISA -- if

(i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code,

(ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings,

(iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $10,000,000,

(iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans,

(v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or

(vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder;

and any such event or events described in clause (i) through clause (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect (the terms "EMPLOYEE BENEFIT PLAN" and "EMPLOYEE WELFARE BENEFIT PLAN" shall have the respective meanings assigned to such terms in section 3 of ERISA).

12. REMEDIES ON DEFAULT, ETC.

12.1 ACCELERATION.

(a) If an Event of Default with respect to the Company described in paragraph (g) or paragraph (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 51% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding af-

fected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and (y) the Make-Whole Amount determined in respect of such principal amount, or in respect of a Change in Control, the premium in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a premium or Make-Whole Amount, as the case may be, by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default or a Change in Control, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2 OTHER REMEDIES.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3 RESCISSION.

At any time after any Notes have been declared due and payable pursuant to clause (b) or clause (c) of Section 12.1, the holders of not less than 65% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and premium or Make-Whole Amount, if any, due and payable on any Notes other than by reason of such declaration, and all interest on such overdue principal and premium or Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4 NO WAIVERS OR ELECTION OF REMEDIES, EXPENSES, ETC.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1 REGISTRATION OF NOTES.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

13.2 TRANSFER AND EXCHANGE OF NOTES.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $100,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $100,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 8.2 of the Transfer Agreement.

13.3 REPLACEMENT OF NOTES.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original purchaser or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

14. PAYMENTS ON NOTES.

14.1 PLACE OF PAYMENT.

Subject to Section 14.2, payments of principal, premium or Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York City, New York at the office of the Company or the Company's bank in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2 HOME OFFICE PAYMENT.

So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, premium or Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

15. EXPENSES, ETC.

15.1 TRANSACTION EXPENSES.

The Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Note in connection herewith and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by you).

15.2 SURVIVAL.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

Without limiting the foregoing, all warranties, representations and certifications made by the Company in or pursuant to the Original Note Indenture or in any certificate or other instrument delivered by it or on its behalf thereunder or pursuant thereto, prior to the date of the Closing, shall be considered to have been relied upon by you, shall survive the delivery to you of the Notes in exchange for the Original Notes and shall be incorporated herein by this reference, regardless of any investigation made by you or on your behalf. All payment obligations of the Company under the Original Note Indenture (including, without limitation, reimbursement obligations in respect of costs, expenses and fees of or incurred by the Original Purchaser or the Trustee), other than the obligation to pay the principal of and interest and premium on the Original Notes (which obligations, after the date of the Closing, shall be evidenced by the Notes) shall survive the amendment and restatement of the Original Notes and the cancellation thereof.

17. AMENDMENT AND WAIVER.

17.1 REQUIREMENTS.

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of any of Sections 1, 2, 3, 4, 5, 6 and 21, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the premium or Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 and 20.

17.2 SOLICITATION OF HOLDERS OF NOTES.

(a) SOLICITATION. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) PAYMENT. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

(c) CONSENT IN CONTEMPLATION OF TRANSFER. Any consent made pursuant to this Section 17 by a holder of Notes that has transferred or has agreed to transfer its Notes to the Company, any Subsidiary or any Affiliate of the Company and has provided or has agreed to provide such written consent as a condition to such transfer shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

17.3 BINDING EFFECT, ETC.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "THIS AGREEMENT" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

17.4 NOTES HELD BY COMPANY, ETC.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent

(a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or

(b) by registered or certified mail with return receipt requested (postage prepaid), or

(c) by a recognized overnight delivery service (with charges prepaid).

Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing;

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing; or

(iii) if to the Company, to Consolidated Stores Corporation, 300 Phillipi Road, P.O. Box 28512, Columbus, Ohio 43228-0512, Attention: General Counsel; Telecopier: (614) 278-6763, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "CONFIDENTIAL INFORMATION" means information delivered to you by or on behalf of the Original Purchaser, the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by you as being confidential information of the Original Purchaser, the Company or such Subsidiary, provided that such term does not include information that

(a) was publicly known or otherwise known to you prior to the time of such disclosure,

(b) subsequently becomes publicly known through no act or omission by you or any person acting on your behalf,

(c) otherwise becomes known to you other than through disclosure by the Original Purchaser, the Company or any Subsidiary, or

(d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available.

You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided that you may deliver or disclose Confidential Information to:

(i) your directors, officers, trustees, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes),

(ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20,

(iii) any other holder of any Note,

(iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20),

(v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20),

(vi) any federal or state regulatory authority having jurisdiction over you,

(vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio or

(viii) any other Person to which such delivery or disclosure may be necessary or appropriate

(A) to effect compliance with any law, rule, regulation or order applicable to you,

(B) in response to any subpoena or other legal process,

(C) in connection with any litigation to which you are a party, or

(D) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement.

Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company or the Original Purchaser, as the case may be, in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company or the Original Purchaser, as the case may be, embodying the provisions of this Section 20.

21. SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your Affiliates as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

22. SUBORDINATION

22.1 NOTES SUBORDINATE TO SENIOR INDEBTEDNESS.

Anything in this Agreement or the Notes to the contrary notwithstanding, the Company covenants and agrees, and each holder of a Note, by its acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Section , the Indebtedness represented by the Notes and the payment of the principal of (and premium, if any) and interest on (including any payments required under any provisions of this Agreement and the Notes, including Section and Section) each and all of the Notes and other amounts owed by the Company under this Agreement and the Notes are hereby expressly made subordinate and subject in right of payment to the prior payment in full in cash of all Senior Indebtedness (including any interest accruing after the occurrence of an Event of Default under Section 11(g) or Section 11(h), whether or not such interest is an allowed claim enforceable against the debtor in a case brought under the Bankruptcy Code).

As used in this Agreement and the Notes, "PAYING THE NOTES", "PAYMENT OF THE NOTES" and similar phrases mean any direct or indirect payment or distribution by or on behalf of the Company on account of principal of (or premium, if any) or interest on the Notes or other amounts owed by the Company under this Agreement and the Notes or to acquire or repurchase pursuant to the provisions of this Agreement or redeem, retire or defease all or any portion of the Notes or to make any deposit, payment or transfer in furtherance of any of the foregoing.

This Section shall constitute a continuing offer to all Persons who become holders of, or continue to hold, Senior Indebtedness, and such provisions are made for the benefit of the holders of Senior Indebtedness and such holders are made obligees hereunder and any one or more of them may enforce such provisions. Holders of Senior Indebtedness need not prove reliance on the subordination provisions hereof.

22.2 PAYMENT OVER OF PROCEEDS UPON DISSOLUTION, ETC.

In the event of (i) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Company or to its creditors, as such, or to its assets, or (ii) any liquidation, dissolution or

other winding up of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (iii) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, then and in any such event:

(a) the holders of Senior Indebtedness shall be entitled to receive payment in full in cash of all amounts due or to become due on or in respect of all Senior Indebtedness, or provision shall be made for such payment in accordance with the instruments governing such Senior Indebtedness, before the holders of the Notes are entitled to receive any payment on account of principal of (or premium, if any) or interest on the Notes or other amounts owed by the Company under this Agreement and the Notes; and

(b) any payment or distribution of assets or securities of the Company of any kind or character, whether in cash, property or securities, to which the holders of Notes would be entitled but for the provisions of this Section , including any such payment or distribution which may be payable or deliverable by reason of the payment of any other Indebtedness of the Company being subordinated to the payment of the Notes (except for any such payment or distribution (i) authorized by an order or decree giving effect, and stating in such order or decree that effect is given, to the subordination of the Notes to the Senior Indebtedness, and made by a court of competent jurisdiction in a reorganization proceeding under any applicable bankruptcy law, or (ii) of securities that are subordinated, to at least the same extent as the Notes, to the payment in cash of all Senior Indebtedness then outstanding), shall be paid by the liquidating trustee or agent or other Person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, directly to the holders of Senior Indebtedness or their representative or representatives, ratably according to the aggregate amounts remaining unpaid on the Senior Indebtedness, for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all Senior Indebtedness in full in cash, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness; and

(c) in the event that, notwithstanding the foregoing provisions of this Section , the holder of any Note shall have received any such payment or distribution of assets or securities of the Company of any kind or character, whether in cash, property or securities (other than payments or distributions authorized by an order or decree giving effect to the subordination of payments or distributions of securities that are subordinated to the payment in cash of all Senior Indebtedness, all as described in paragraph (b) above), including any such payment or distribution which may be payable or deliverable by reason of the payment of any other Indebtedness of the Company being subordinated to the payment of the Notes, before all Senior Indebtedness is paid in full in cash or payment thereof provided for, then and in such event such payment or distribution shall be received and held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness or their representative or representatives, ratably according to the aggregate amount remaining unpaid on the Senior Indebtedness, for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all Senior Indebtedness in full in cash, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance, transfer or lease of its properties and assets substantially as an entirety to another corporation upon the terms and conditions set forth in Section shall not be deemed a dissolution, winding up, liquidation, reorganization, assignment for the benefit of creditors or marshalling of assets and liabilities of the Company for the purposes of this Section if the corporation formed by such consolidation or into which the Company is merged or the corporation which acquires substantially as an entirety, as the case may be, shall, as a part of such consolidation, merger, conveyance, transfer or lease, comply with the conditions set forth in the last sentence of Section.

22.3 NO PAYMENT WHEN SENIOR INDEBTEDNESS IN DEFAULT.

(a) In the event of and during the continuation of any default in the payment of any Senior Indebtedness whether at maturity, upon acceleration or otherwise beyond any applicable grace period with respect thereto ("PAYMENT DEFAULT"), and written notice (the "PAYMENT NOTICE") thereof shall have been given to each of the Company and the holders of Notes by (i) in the case of the Revolving Credit Facility, the bank agent under the Revolving Credit Facility, or (ii) in the case of any other issue of Senior Indebtedness, the representative for, or the holders of at least a majority of the principal amount of, the Senior Indebtedness, then no payment shall be made by or on behalf of the Company on the Notes until the date, if any, on which such default or event of default is waived by the holders of such Senior Indebtedness or otherwise cured or has ceased to exist or the Senior Indebtedness to which such default or event of default relates is discharged by payment in full in cash.

(b) In the event that any other event of default with respect to any Senior Indebtedness shall have occurred and be continuing that permits the holders of such Senior Indebtedness (or a trustee on behalf of such holders) to declare such Senior Indebtedness due and payable prior to the date on which it would otherwise have become due and payable, and written notice thereof shall have been given to each of the Company and the holders of Notes by (i) in the case of the Revolving Credit Facility, the bank agent under the Revolving Credit Facility, or (ii) in the case of any other issue of Senior Indebtedness, the representative for, or the holders of at least a majority of the principal amount of Senior Indebtedness ("COVENANT DEFAULT NOTICE") then no payment shall be made by or on behalf of the Company on any Notes until the earlier of

(i) 179 days after the date on which a Covenant Default Notice shall have been given, and

(ii) the date, if any, on which such default or event of default is waived by the holders of such Senior Indebtedness or otherwise cured or has ceased to exist or the Senior Indebtedness to which such default or event of default relates is discharged by payment in full in cash

(provided, however, that further written notice relating to the same or any other event of default with respect to any Senior Indebtedness received by the Company or the Trustee within 360 days after such prior receipt of a Covenant Default Notice shall not be effective to further prohibit such payments, provided, further, that notwithstanding anything in this Section 22.3(b) to the contrary, there must be at least 181 consecutive days in any 360 day period in which no limitation on payment pursuant to this Section is in ef-

fect, and provided, further, that further written notice relating to the same default or event of default or any other default or event of default specified above existing or continuing on the date of receipt of the Covenant Default Notice, whether or not received by the Company or the holders of Notes within 360 days after prior receipt of a Covenant Default Notice, shall not be effective to further prohibit such payments unless all defaults and events of default shall have been cured or waived after such date for a period of not less than 90 consecutive days).

In the event that, notwithstanding the foregoing, any payment or distribution shall be made by or on behalf of the Company to the holder of any Note prohibited by the foregoing provisions of this Section , then and in such event such payment or distribution shall be received and held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness or their representative or representatives, ratably according to the aggregate amounts remaining unpaid on account of the Senior Indebtedness, for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all Senior Indebtedness in full in cash, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

The provisions of this Section shall not apply to any payment with respect to which Section would be applicable.

22.4 PAYMENT PERMITTED IF NO DEFAULT.

Nothing contained in this Section or elsewhere in this Agreement or in any of the Notes shall prevent the Company, at any time except under the circumstances described in Section or under the conditions described in Section , from making payments at any time of principal of (and premium or Make-Whole Amount, if any) or interest on the Notes or other amounts owed by the Company under this Agreement and the Notes.

22.5 SUBROGATION TO RIGHTS OF HOLDERS OF SENIOR INDEBTEDNESS.

No payment or distributions to the holders of Senior Indebtedness or their representatives pursuant to the provisions of this Section shall entitle any holders of the Notes to exercise any right of subrogation in respect thereof until the Senior Indebtedness shall have been paid in full.

22.6 PROVISIONS SOLELY TO DEFINE RELATIVE RIGHTS.

The provisions of this Section are and are intended solely for the purpose of defining the relative rights of the holders of the Notes on the one hand and the holders of Senior Indebtedness on the other hand. Nothing contained in this Section or elsewhere in this Agreement or in the Notes is intended to or shall:

(a) impair, as among the Company, its creditors other than holders of Senior Indebtedness and the holders of the Notes, the obligation of the Company, which is absolute and unconditional, to pay to the holders of the Notes the principal of (and premium or Make-Whole Amount, if any) and interest on the Notes as and when the same shall become due and payable in accordance with their terms; or

(b) affect the relative rights against the Company of the holders of the Notes and creditors of the Company other than the holders of Senior Indebtedness; or

(c) prevent the holder of any Note from exercising all remedies otherwise permitted by applicable law upon default under this Agreement, subject to the express limitations set forth in Section and to the rights, if any, under this Section of the holders of Senior Indebtedness.

22.7 FURTHER ACTIONS.

If any proceeding referred to in clauses (i), (ii) or (iii) of the first sentence of Section above is commenced by or against the Company, the holders of the Notes shall duly and promptly take such action as the holders of Senior Indebtedness may reasonably request to collect on the Notes and to file appropriate claims or proofs of claim in respect of the Notes and to collect and receive any and all payments which may be payable upon or with respect to the Notes.

Holders of Senior Indebtedness or their representatives are hereby authorized to demand specific performance of the provisions of this Section , whether or not the Company shall have complied with any of the provisions hereof applicable to it, at any time when any holder of Notes shall have failed to comply with any of the provisions of this Section applicable to it. The holders of the Notes hereby irrevocably waive any defense based on the adequacy of a remedy at law, which might be asserted as a bar to such remedy of specific performance.

The holders of the Notes and the Company each will, at the Company's expense and at any time and from time to time, promptly execute and deliver all further instruments and documents, and take all further action, that may reasonably be necessary, or that the holders of Senior Indebtedness or their representatives may reasonably request, in order to protect any right or interest granted by this Section or to enable the holders of Senior Indebtedness or any of their representatives to exercise and enforce its rights and remedies under this Section .

22.8 NO WAIVER OF SUBORDINATION PROVISIONS.

No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Agreement, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the holders of the Notes, without incurring responsibility to the holders of the Notes and without impairing or releasing the subordination provided in this Section or the obligations hereunder of the holders of the Notes to the holders of Senior Indebtedness, do any one or more of the following:

(a) change the manner, place or terms of payment or extend the time of payment of or renew, refinance or refund Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding;

(b) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness;

(c) release any Person liable in any manner for the collection of Senior Indebtedness; and

(d) exercise or refrain from exercising any rights against the Company and any other Person.

22.9 NOTICE TO HOLDERS OF THE NOTES.

The Company shall give prompt written notice to the holders of the Notes of any fact known to the Company which would prohibit the making of any payment to the holders of the Notes in respect of the Notes.

22.10 [INTENTIONALLY OMITTED].

22.11 [INTENTIONALLY OMITTED].

22.12 WAIVER.

The holders of the Notes and the Company each hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Senior Indebtedness and this Section and any requirement that the holders of Senior Indebtedness or any of their representatives protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right to take any action against the Company or any other person or entity or any collateral.

22.13 NO WAIVER; REMEDIES.

No failure on the part of the holders of Senior Indebtedness or any of their representatives to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right under this Section preclude any other or further exercise thereof or the exercise of any other right. The remedies in this Section provided are cumulative and not exclusive of any remedies provided by law.

23. MISCELLANEOUS.

23.1 SUCCESSORS AND ASSIGNS.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

23.2 PAYMENTS DUE ON NON-BUSINESS DAYS; WHEN PAYMENTS DEEMED RECEIVED.

(a) PAYMENTS DUE ON NON-BUSINESS DAYS. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or premium or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

(b) PAYMENTS, WHEN RECEIVED. Any payment to be made to the holders of Notes hereunder or under the Notes shall be deemed to have been made on the Business Day such payment actually becomes available to such holder at such holder's bank prior to 12:00 noon (local time of such bank).

23.3 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the holders of the Notes or the Required Holders to take any action under this Agreement, the Company shall furnish to such holders:

(a) a Specified Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with; and

(b) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

23.4 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each Specified Officers' Certificate and Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Agreement shall include:

(a) a statement that each Person making such Specified Officers' Certificate or Opinion of Counsel has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Specified Officers' Certificate or Opinion of Counsel are based;

(c) a statement that, in the opinion of each such Person, he has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement that, in the opinion of such Person, such covenant or condition has been complied with; provided, however, that with respect to matters of fact, an Opinion of Counsel may rely on a Specified Officers' Certificate or certificates of public officials.

23.5 NO RECOURSE AGAINST OTHERS.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or this Agreement or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each holder thereof shall waive and release the directors, officers, employees or stockholders, as such, of the Company from all such liability for obligations of the Company under the Notes or this Agreement. The waiver and release shall be part of the consideration for the issue of the Notes.

23.6 SEVERABILITY.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

23.7 CONSTRUCTION.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

23.8 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

23.9 GOVERNING LAW.

THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

[Remainder of page intentionally blank. Next page is signature page.]

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,
CONSOLIDATED STORES CORPORATION

By /s/ Michael J. Potter

Name: Michael J. Potter
Title: Senior Vice President
Chief Financial Officer

The foregoing is hereby
agreed to as of the
date thereof.

[SEPARATELY EXECUTED BY EACH
OF THE FOLLOWING PURCHASERS]

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
BY CIGNA INVESTMENTS, INC.

By /s/ Stephen A. Osborn

Name: Stephen A. Osborn
Title: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE COMPANY,
ON BEHALF OF ONE OR MORE SEPARATE ACCOUNTS
BY CIGNA INVESTMENTS, INC.

By /s/ Stephen A. Osborn

Name: Stephen A. Osborn
Title: Managing Director

EXHIBIT 10(b)

LIFE INSURANCE COMPANY OF NORTH AMERICA
BY: CIGNA INVESTMENTS, INC.

By /s/ Stephen A. Osborn

Name: Stephen A. Osborn
Title: Managing Director

PRINCIPAL MUTUAL LIFE INSURANCE COMPANY

By /s/ Jon C. Heiny

Name: Jon C. Heiny
Title: Counsel

By /s/ Christopher J. Henderson

Name: Christopher J. Henderson
Title: Counsel

NIPPON LIFE INSURANCE COMPANY OF AMERICA, BY ITS ATTORNEY IN FACT
PRINCIPAL MUTUAL LIFE INSURANCE COMPANY

By /s/ Jon C. Heiny

Name: Jon C. Heiny
Title: Counsel

By /s/ Christopher J. Henderson

Name: Christopher J. Henderson
Title: Counsel

EXHIBIT 10(b)

ALLSTATE LIFE INSURANCE COMPANY

By /s/ Patricia W. Wilson

Name: Patricia W. Wilson

By /s/ Steven M. Laude

Name: Steven M. Laude

Authorized Signatories

ALLSTATE INSURANCE COMPANY

By /s/ Patricia W. Wilson

Name: Patricia W. Wilson

By /s/ Steven M. Laude

Name: Steven M. Laude

Authorized Signatories

EXHIBIT 10(b)

SCHEDULE B

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"ACQUIRED INDEBTEDNESS" means, with respect to any specified Person, Indebtedness of any other Person: (a) existing at the time such other Person merged with or into or became a Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person; or (b) assumed by such specified Person in connection with its acquisition of assets owned by such other Person.

"AFFILIATE" as to any Person shall mean any other Person (i) which directly or indirectly controls, is controlled by, or is under common control with such Person, (ii) which beneficially owns or holds 15% or more of any class of the voting or other equity interests of such Person, or (iii) 15% or more of any class of voting or other equity interests of which is beneficially owned or held, directly or indirectly, by such Person. As used in this definition, "Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the power to elect a majority of the directors or trustees of a corporation or trust, as the case may be. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"AGREEMENT, THIS" is defined in Section 17.3.

"ASSET SALE" by any Person means any sale, transfer or lease (or series of related sales, transfers or leases) by such Person or any of its Subsidiaries of any property or assets, including shares of Capital Stock (other than directors' qualifying shares) or other ownership interests of a Subsidiary of such Person; provided, however, that Asset Sale will not include: (i) transactions involving the sale of inventory in the ordinary course of business; (ii) any sale, transfer or lease of assets in the ordinary course of business which are no longer necessary or required in the conduct of the Company's or any of its Subsidiary's business; (iii) any sale, transfer or lease of assets by any Wholly-Owned Subsidiary to the Company or another Wholly-Owned Subsidiary; (iv) and any sale, transfer or lease of assets in the ordinary course of business; (v) any sale, transfer or lease or other disposition that is governed by and in compliance with Section ; (vi) the issuance by such Person of shares of its Capital Stock; (vii) any payment of purchase price to Melville Corporation in connection with that certain Stock Purchase Agreement dated as of March 26, 1996 between Melville Corporation and Consolidated Stores Corporation; or (viii) any sale, transfer or lease of assets, other than those specifically excepted pursuant to clauses (i) through (iv) above, provided that the aggregate after-tax proceeds of all such sales, transfers or leases on and after the date thereof (as reasonably estimated by the Company) does not exceed $25,000,000.

"BANKRUPTCY CODE" means Title 11 of the United States Code entitled "Bankruptcy", as amended from time to time and all rules and regulations promulgated thereunder.

"BOARD OF DIRECTORS" of any corporation means the Board of Directors of such corporation, or any duly authorized committee of such Board of Directors.

"BUSINESS DAY" means (a) for the purposes of Section only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City, New York, or Columbus, Ohio, are required or authorized to be closed.

"CAPITAL LEASE OBLIGATION" of any Person means the amount of the liability in respect of a lease of (or other Indebtedness arrangements conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a capital lease or liability on the face of a balance sheet of such Person in accordance with GAAP.

"CAPITAL STOCK" means any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock (including each class of common stock and preferred stock) or partnership interests and any warrants, options or other rights to acquire such stock or interests, but excluding any debt securities convertible into such stock.

"CHANGE IN CONTROL" has occurred if at any time:

(i) any person (as such term is used in section 13(d) and section 14(d)(2) of the Exchange Act as in effect on the Issue Date) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act) become the "beneficial owners" (as such term is used in Rule 13d-3 under the Exchange Act as in effect on the Closing Date), directly or indirectly, of more than 33.33% of the total voting power of all classes then outstanding of the Company's voting stock; or

(ii) within a period of twelve (12) consecutive calendar months, individuals who were directors on the board of directors of the Company on the first day of such period together with any directors whose election by such board of directors or whose nomination by the shareholders was approved by a vote of the majority of the directors then in office shall cease to constitute a majority of the board of directors of the Company.

"CLOSING" is defined in Section 3.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"COMPANY" is defined in the introductory sentence of this Agreement.

"CONFIDENTIAL INFORMATION" is defined in Section 20.

"CONSOLIDATED EBIT" means, with respect to a Person for any period, (a) Consolidated Net Income (loss), plus (b) Consolidated Income Tax Expense, plus (c) Consolidated Interest Expense of such Person for such period, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED FIXED CHARGE COVERAGE RATIO" means on any date of determination the ratio of (a) the Company's Consolidated EBIT for the most recent four fiscal quarters immediately preceding the date of determination, plus the Company's Consolidated Rent Expense, to (b) the Company's Consolidated Interest Expense for the most recent four fiscal quarters immediately preceding the date of determination, plus an amount equal to such Consolidated Rent Expense.

"CONSOLIDATED INCOME TAX EXPENSE" means, with respect to a Person for any period, the provision for taxes for such period for such Person and its Subsidiaries based on income or profits to the extent such income or profits were included in computing Consolidated Net Income for such period, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED INTEREST EXPENSE" means, with respect to a Person for any period, the interest expense of such Person and its Subsidiaries in respect of Indebtedness to the extent deducted in determining Consolidated Net Income for such period, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED NET INCOME" means, with respect to a Person for any period, the Net Income of such Person and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, excluding all extraordinary income and gains to net income to the extent included in net income for such period.

"CONSOLIDATED NET WORTH" means, with respect to any Person, the stockholders' equity of such Person and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED RENT EXPENSE" means, with respect to a Person, the aggregate rental amounts payable by such Person and its Subsidiaries for the most recent four consecutive fiscal quarters immediately preceding the date of determination under any lease of real property having an original term (including any required renewals or any renewals at the option of the lessor or lessee) of one year or more (but excluding any Capital Lease Obligation), determined on a consolidated basis in accordance with GAAP.

"CONTROL EVENT" means:

(a) the execution by the Company or any of its Subsidiaries or Affiliates of any agreement or letter of intent with respect to any proposed transaction or event or series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change in Control;

(b) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change in Control; or

(c) the making of any written offer by any person (as such term is used in section 13(d) and section 14(d)(2) of the Exchange Act as in effect on the Issue Date) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act as in effect on the Issue Date) to the holders of the common stock of the Company, which offer, if accepted by the requisite number of holders, would result in a Change in Control.

"COVENANT DEFAULT NOTICE" is defined in Section.

"DEFAULT" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"DISPOSITION PAYMENT AMOUNT" is defined in Section 8.4(a)(v).

"DISQUALIFIED CAPITAL STOCK" means, with respect to any Person, any Capital Stock of such Person that, by its terms (or by the terms of any security into which it is convertible or for which it is exercisable, redeemable or exchangeable), matures, or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or apart, on or prior to the maturity of the Notes.

"ENVIRONMENTAL LAWS" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"EVENT OF DEFAULT" is defined in Section 11.

"EXCESS PROCEEDS" is defined in Section 10.5.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time.

"EXECUTIVE OFFICER" means and includes the chief financial officer of the Company and any natural Person who constitutes an executive officer of the Company for purposes of item 401(b) of Regulation S-K promulgated under the Securities Act.

"GAAP" means 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 Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession in the United States, consistently applied by the Person in respect of which such accounting principles are being applied, that are in effect from time to time.

"HOLDER" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"INCUR" means, with respect to any Indebtedness, to create, issue, assume, guarantee, incur or otherwise become liable, directly or indirectly, in respect of such Indebtedness. The term "INCURRENCE" when used as a noun shall have a correlative meaning.

"INDEBTEDNESS" means as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of:

(i) borrowed money;

(ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility;

(iii) reimbursement obligations (contingent or otherwise) under any letter of credit, currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device;

(iv) any other transaction (including forward sale or purchase agreements, capitalized leases (but not operating leases) and conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables, trade credits and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness and which are not more than thirty (30) days past due); or

(v) any guaranty of Indebtedness for borrowed money.

"INDENTURE TRUSTEE" is defined in Section 1.1.

"INSTITUTIONAL INVESTOR" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 5% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"INVESTMENTS" of any Person means all investments in other Persons in the form of loans, advances or other extensions of credit or capital contributions (excluding travel and similar advances to officers and employees made in the ordinary course of business and excluding all indebtedness and receivables from another Person which are current assets or arose from sales or leases of goods or services on terms consistent with such Person's past practices or such Person's industry's common practices), purchases (or other acquisitions for consideration) of Indebtedness, Capital Stock or other securities and all other items that are or would be classified as investments (including, without limitation, purchases of assets outside the ordinary course of business) on a balance sheet prepared in accordance with GAAP.

"ISSUE DATE" means May 5, 1996, the date of original issue of the Original Notes.

"LIEN" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or

Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"MAKE-WHOLE AMOUNT" is defined in Section.

"MATERIAL" means material in relation to the business, operations, affairs, financial condition, assets, or properties of the Company and its Subsidiaries taken as a whole.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

"MATERIAL SUBSIDIARY" mean any of C S Ross Company, an Ohio corporation, KB Toy of California, Inc., a Delaware corporation, K.B. Consolidated, Inc., an Ohio corporation, KayBee Center, Inc., a California corporation, and any Subsidiary of the Company having at least 10% of the total consolidated assets of the Company and its Subsidiaries or at least 10% of the total consolidated revenues of the Company and its Subsidiaries for the 12-month period ending on the last day of the most recent fiscal quarter of the Company. Notwithstanding the foregoing, each of KB Toy of Wisconsin, Inc., TRO, Inc. and Kay-Bee Toy & Hobby Shops, Inc. (each a "Deemed NM Subsidiary") shall not be considered to be a Material Subsidiary so long as the operating assets (as opposed to assets consisting of capital stock) of such Deemed NM Subsidiary shall not exceed 10% of the total consolidated operating assets of the Company and its Subsidiaries and the revenues of such Deemed NM Subsidiary (excluding revenues of Subsidiaries of such Deemed NM Subsidiary which may be consolidated with the revenues of such Deemed NM Subsidiary under GAAP) shall not exceed 10% of the total consolidated revenues of the Company and its Subsidiaries for the 12-month period ending on the last day of the most recent fiscal quarter of the Company.

"MEMORANDUM" is defined in Section 5.3.

"MULTIEMPLOYER PLAN" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"NET CASH PROCEEDS" is defined in Section.

"NOTES" is defined in Section.

"OFFICER'S CERTIFICATE" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"OPINION OF COUNSEL" means a written opinion (containing as applicable the information specified in Section 23.3 and Section 23.4) rendered by legal counsel who is acceptable to the Required Holders, which may be counsel to the Company.

"ORIGINAL NOTE INDENTURE" is defined in Section.

"ORIGINAL NOTES" is defined in Section 1.2.

"ORIGINAL PURCHASER" is defined in Section 1.1.

"OTHER AGREEMENTS" is defined in Section 2.

"OTHER PURCHASERS" is defined in Section 2.

"PAYMENT DEFAULT" is defined in Section.

"PAYMENT NOTICE" is defined in Section.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"PERMITTED INDEBTEDNESS" will include:

(i) Indebtedness incurred by the Company or any Subsidiary of the Company under the Revolving Credit Facility up to a maximum permitted amount of $750,000,000;

(ii) Indebtedness owed by Company to any Wholly-Owned Subsidiary of the Company or Indebtedness owed by any Subsidiary to the Company or to a Wholly Owned Subsidiary of the Company;

(iii) Indebtedness of the Company and its Subsidiaries outstanding on the Issue Date;

(iv) Indebtedness secured by purchase money security interests;

(v) Indebtedness in connection with interest rate agreements permitted by the Revolving Credit Facility;

(vi) any other Indebtedness not referred to above which does not exceed in the aggregate $25,000,000; and

(vii) renewals, extensions, refinancings or refundings of any Indebtedness (such new Indebtedness being "Refinancing Indebtedness"); provided that such Refinancing Indebtedness (a) does not exceed the maximum permitted principal or accreted amount of, (b) ranks no more favorably in order of payment to the Notes as, and (c) if such Indebtedness so renewed, extended, refinanced or refunded is not Senior Indebtedness, does not have a Weighted Average Life to Stated Maturity shorter than that of, the Indebtedness being renewed, extended, refinanced or refunded; and

(viii) Indebtedness not otherwise permitted to be incurred in an aggregate principal amount not to exceed $50,000,000 at any one time outstanding.

"PERMITTED INVESTMENTS" means an Investment which consists of:

(a) marketable obligations of or obligations guaranteed by the United States of America or issued by any agency thereof and backed by the full faith and credit of the United States of America, in each case with final maturities of one year or less;

(b) commercial paper having a rating of at least P-1 or A-1 (other their respective equivalents) by Moody's Investor Service, Inc. or Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc., respectively;

(c) certificates of deposit with final maturities of one year or less issued by United States commercial banks of recognized standing with capital and surplus aggregating in excess of $100,000,000;

(d) shares of money market funds that have assets in excess of $100,000,000 and that invest solely in Permitted Investments of the kind described in clauses (a) through (c) above;

(e) Investments other than set forth above not to exceed $10,000,000;

(f) an Investment in or to any of the Wholly-Owned Subsidiaries of the Company;

(g) loans to employees outstanding on the date of the Closing; and

(h) investments related to Company-owned life insurance contracts.

"PERSON" means an individual, partnership, corporation, limited liability company, joint venture, association, trust, unincorporated organization, or a government or agency or political subdivision thereof or any other entity.

"PLAN" means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"PREFERRED STOCK" means any class of Capital Stock of a Person that is preferred over any other class of Capital Stock of such Person as to the payment of dividends or other equity distributions or the payment of any amount upon liquidation or dissolution of such Person.

"PREPAYMENT DATE" is defined in Section 8.4(a)(iii).

"PROPERTY OR PROPERTIES" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PROPOSED PREPAYMENT DATE" is defined in Section 8.3(b).

"PURCHASERS" is defined in Section 1.1.

"QUALIFIED INSTITUTIONAL BUYER" means any Person who is a "qualified institutional buyer" within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

"REQUIRED HOLDERS" means, at any time, the holder or holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"RESPONSIBLE OFFICER" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

RESTRICTED PAYMENT" is defined in Section.

"REVOLVING CREDIT FACILITY" means the Amended and Restated Credit Agreement, dated as of May 3, 1996, among the Company, the banks party thereto from time to time and their respective successors and assigns, The Bank of New York as syndication agent and managing agent, National City Bank of Columbus as administrative agent and managing agent, PNC Bank, Ohio, National Association as arranger, documentation agent and managing agent, Bank One, Columbus, N.A. as managing agent, and National City Bank as managing agent, as such agreement is amended by (i) Amendment Number One to Amended and Restated Credit Agreement, dated as of March 21, 1997, and (ii) Waiver and Amendment Number Two to Amended and Restated Credit Agreement, dated as of May 16, 1997, and any guarantees by Subsidiaries of the Company and any other agreements executed in connection therewith, in each case, as such agreements or guarantees may be further amended, modified, refinanced or refunded from time to time.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SENIOR FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

SENIOR INDEBTEDNESS -- means:

(a) all obligations owned by the Company or any Subsidiary of the Company under or in connection with the Revolving Credit Facility, whether outstanding on the date hereof or thereafter created, assumed or incurred and any refinancing, refunding or replacement thereof; provided, however, that any Indebtedness under any refinancing, refunding or replacement of the Revolving Credit Facility shall not constitute Senior Indebtedness to the extent that Indebtedness thereunder is by its terms expressly subordinated in right of payment to any other Indebtedness of the Company; and

(b) the principal of, premium, if any, and accrued and unpaid interest on Indebtedness of the Company, contingent or otherwise, in respect of borrowed money, whether outstanding on the date hereof or hereafter created, incurred or assumed, unless in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Notes.

Notwithstanding the foregoing, "Senior Indebtedness" shall not include (i) Indebtedness evidenced by the Notes, (ii) Indebtedness that is expressly subordinated or junior in rights of payment to any Indebtedness of the Company, (iii) any liability for federal, state, provincial, local or

other taxes owed or owing by the Company, (iv) Indebtedness of or amounts owed by the Company for compensation to employees and for services, (v) Indebtedness of the Company to a Subsidiary of the Company or any other Affiliate of the Company, (vi) amounts owing under leases (other than Capital Lease Obligations) and (vii) any Indebtedness Incurred which is not permitted by the terms of this Agreement. All interest which would accrue after the filing of a petition by or against the Company under any federal, state or foreign bankruptcy or similar law, whether or not such interest is allowed as a claim after such filing under such bankruptcy or similar law, shall constitute Senior Indebtedness.

"SIDE LETTER" means and includes, as the case may be, those certain letter agreements, dated January 22, 1997 and May 16, 1997, respectively, in each case between the Company and CVS Corporation, pursuant to which CVS Corporation has agreed to indemnify the Company against payment of any Make-Whole Amount in excess of the "Call Premium" (as defined therein) in connection with an optional redemption of the Original Notes or the Notes, as the case may be, prior to May 4, 2000.

"SOURCE" is defined in Section.

"SPECIFIED OFFICERS' CERTIFICATE" means a written certificate containing the information specified in Section 23.3 and Section 23.4, signed by the President or a Vice President of the Company and a Senior Financial Officer and delivered to the holders of the Notes.

"SUBSIDIARY" of any Person means (i) a corporation more than 50% of the Voting Power of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership of which such Person, one or more other Subsidiaries of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, is the general partners and has the power to direct the policies, management and affairs or (iii) any other Person (other than a corporation) in which such Person, one or more other Subsidiaries of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, has at least a majority ownership interest or the power to direct the policies, management and affairs thereof. Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"TRANSFER AGREEMENT" is defined in Section 1.1.

"VOTING POWER" of any Person means the aggregate number of votes of all classes of Capital Stock of such Person which ordinarily has voting power for the election of a number of the Board of Directors or their equivalents of such Person.

"WEIGHTED AVERAGE LIFE TO STATED MATURITY" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the then outstanding principal amount of such Indebtedness into (b) the total of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest twelfth) which will elapse between such date and the making of such payment.

"WHOLLY-OWNED SUBSIDIARY" means, at any time, any Subsidiary 100% of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

EXHIBIT 10(b)

EXHIBIT 1

[FORM OF NOTE]

CONSOLIDATED STORES CORPORATION

7% SENIOR SUBORDINATED NOTE DUE MAY 4, 2000

No. R-___ [Date]
$_____ PPN: 210149 A@ 9

FOR VALUE RECEIVED, the undersigned, CONSOLIDATED STORES CORPORATION (herein called the "COMPANY"), a corporation organized and existing under the laws of the State of Ohio, hereby promises to pay to _____ , or registered assigns, the principal sum of _____ DOLLARS ($_____) on May 4, 2000, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of seven percent (7%) per annum from the date hereof, payable semiannually on the fifteenth (15th) day of April and October in each year, commencing with the April 15 or October 15 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest (including interest accruing on or after the filing of a petition in bankruptcy or reorganization relating to the Company, whether or not a claim for post-filing interest is allowed in such proceeding) and any overdue payment of any premium or Make-Whole Amount (as defined in the Note Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at the rate per annum borne by this Note, which interest on overdue amounts shall accrue from the date such amounts became overdue.

Payments of principal of, interest on and any premium or Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the address shown in the register maintained by the Company for such purpose or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Agreements referred to below.

This Note is one of a series of Senior Subordinated Notes (herein called the "NOTES") issued pursuant to separate Note Agreements, dated as of May 9, 1997 (as from time to time amended, the "NOTE AGREEMENTS"), between the Company and the respective purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Agreements and (ii) to have made the representation set forth in Section 8.2 of the Transfer Agreement (as defined in the Note Agreements).

This Note is a registered Note and, as provided in the Note Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, on and after May 5, 1998, on the terms specified in the Note Agreements, but not otherwise.

If an Event of Default, as defined in the Note Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Agreements.

The obligations evidenced by this Note are subordinated to the Senior Indebtedness (as defined in the Note Agreements) on the terms provided in the Note Agreements.

THIS NOTE AND THE NOTE AGREEMENTS ARE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

CONSOLIDATED STORES CORPORATION

By

Name:
Title:

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL DATA EXTRACTED FROM CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS FILED IN FORM 10-Q AS OF AUGUST 2, 1997, AND THE THIRTEEN AND TWENTY-SIX WEEK PERIODS THEN ENDED, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

3-MOS
JAN-31-1998
FEB-02-1997
AUG-02-1997
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