

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K/A

AMENDMENT NO.1 TO CURRENT REPORT

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

Date of Report (Date of earliest event reported): May 3, 1996

CONSOLIDATED STORES CORPORATION
(Exact name of registrant as specified in its charter)

Delaware

1-8897

06-1119097

(State or other jurisdiction
of incorporation)

(Commission File Number)

(IRS Identification No.)

1105 North Market Street, Suite 1300
P. O. Box 8985
Wilmington, DE
(Address of principal executive offices)

19899
(Zip Code)

Registrant's telephone number, including area code: (302) 478-4896

Not applicable
(Former name or former address, if changed since last report.)

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.	Description
10	Amendment No. 1 to Stock Purchase Agreement dated as of March 25, 1996 between Melville Corporation and Consolidated Stores Corporation relating to the purchase and sales of 100% of the Common Stock of Kay-Bee Center, Inc. (Stock Purchase Agreement dated March 25, 1996 filed as Exhibit B to the Company's Current Report on Form 8-K dated April 8, 1996 and incorporated herein by reference)
10(a)	\$600,000,000 Revolving Credit Facility dated as of May 3, 1996 by and among Consolidated Stores Corporation, an Ohio corporation (the "Borrower"), the BANKS (as defined), and The Bank of New York, in its capacity as Syndication Agent and as Managing Agent, National City Bank of Columbus, in its capacity as Administrative Agent ("Administrative Agent") and as Managing Agent, PNC Bank, Ohio, National Association, in its capacity as Arranger, as Documentation Agent (the "Documentation Agent") and as Managing Agent, Bank One, Columbus, N.A., in its capacity as Managing Agent, and National City Bank in its capacity as Managing Agent
10(b)	Consolidated Stores Corproation 7% Senior Subordinated Note due May 4, 2000
10(b)(i)	Indenture, dated as of May 5, 1996, between Consolidated Stores Corporation, an Ohio corporation, and The Bank of New York, a New York banking corporation (the "Trustee") for the equal and ratable benefit of the Holders of the Company's Subordinated Notes due May 4, 2000
10(c)	Short Term Loan Agreement dated as of May 3, 1996 among Consolidated Stores Corporation as Borrower, The Initial Lenders named therein, as Initial Lenders, and Merrill Lynch Capital Corporation, as Agent
10(c)(i)	Parent Guaranty dated as of May 3, 1996 from Consolidated Stores Corporation, as Guarantor in favor of The Lenders Party to the Short Term Loan Agreement and Merrill Lynch Capital Corporation, as Agent
10(c)(ii)	Subsidiary Guaranty dated as of May 3, 1996 from the Guarantors Named Therein, as Guarantors in favor of The Lenders Party to the Short Term Loan Agreement and Merrill Lynch Capital Corporation, as Agent

SIGNATURES

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

CONSOLIDATED STORES CORPORATION

Dated: May 10, 1996

By: /s/ Michael J. Potter

Michael J. Potter
Sr. Vice President and Chief
Financial Officer

AMENDMENT NO. 1
TO
STOCK PURCHASE AGREEMENT

AMENDMENT NO. 1 dated as of May 3, 1996 between Consolidated Stores Corporation, a Delaware corporation ("Buyer"), and Melville Corporation, a New York corporation ("Seller").

WHEREAS, the parties hereto have previously entered into the Stock Purchase Agreement dated as of March 25, 1996 (the "Agreement"); and

WHEREAS, the parties hereto desire to supplement and amend the provisions of the Agreement in the manner set forth in this Amendment.

NOW THEREFORE, in consideration of the mutual agreements contained herein and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Definitions. Terms used herein and not otherwise defined herein shall have the meanings set forth in the Agreement.

ARTICLE 2
AMENDMENT

2.1 Preamble. Section (ii) of the fourth "Whereas" clause of the Agreement is hereby amended by deleting the number "100" in the phrase "100 shares of common stock" and substituting therefor the number "1", and by deleting the word "shares" and substituting therefor the word "share".

2.2 Schedules.

(a) Schedules 2.3, 3.18 and 5.6 of the Agreement are hereby deleted in their entirety and replaced by Schedules 2.3, 3.18 and 5.6 attached to this Amendment, respectively.

(b) Schedule 3.6 of the Agreement is hereby amended by removing the number "100" and substituting therefor the number "1" in the row describing K&K Kay-Bee, Inc.

(c) Schedule 3.12 of the Agreement is hereby amended by deleting item no. 2 in its entirety by redesignating item no. 3 as item no. "2" and by adding the following items:

"3. A store in North Ridge, California, was damaged in the Southern California earthquake. In connection with repairs to the premises, the Landlord caused approximately \$400,000 of damage to the store. Insurance has covered approximately \$90,000 of the damage. The Company may initiate an action against the Landlord to recover the remaining amount of damages.

4. A trade dress infringement civil action, No. 96 Cv 1103, by Fundamental Too, Inc. was filed against Kay-Bee Toy & Hobby Shops, Inc. relating to the manufacture and sale of the "Currency Can" at the Company's stores."

(d) Item no. 1 of Schedule 3.14 of the Agreement is hereby amended by deleting all references to the Leases with Store nos. 247, 769, 1732, 7084, 7480 and 8611.

(e) Item no. 9 of Schedule 5.1 of the Agreement is hereby amended by adding in numerical order "3, 281, 362, 381, 396, 403, 423, 500, 640, 761, 765, 814, 887, 1179, 1758, 7016 and 7745".

(f) Schedule 7.5 of the Agreement is hereby amended by adding "#7480" in numerical order to the list of Closed Store Leases.

2.3 Section 2.2. The first sentence of Section 2.2 is hereby deleted in its entirety and replaced by the following sentence:

"The closing (the "Closing") of the purchase and sale of the Shares hereunder shall take place at the offices of Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York at 10:00 a.m. on May 4, 1996, effective as of 12:01 a.m. on May 5, 1996, or at such other place or time as Buyer and Seller may agree."

2.4 Section 2.3(a). Section 2.3(a) of the Agreement is hereby amended by deleting the number "14" in the sixth sentence and substituting therefor the number "21".

2.5 Section 5.1. Section 5.1 of the Agreement is hereby amended by deleting "Schedule 5.1" and substituting therefor the phrase "Schedules 5.1 and 7.5".

2.6 Section 9.3(a). Section 9.3(a) is hereby amended by:

(i) in clause (i), deleting the number "2" in the phrase "item no. 2" and substituting therefor the number "3";

- (ii) in clause (ii), deleting the number "3" in the phrase "item no. 3" and substituting therefor the number "2";
- (iii) inserting at the beginning of the last sentence the phrase "Except as provided in the next succeeding sentence,"; and
- (iv) inserting the following at the end thereof:

"In connection with any payment required to be made pursuant to Section 2.4 or, in the event that no such payment is required, within 90 days of the Closing Date, (I) Buyer shall pay in cash to Seller an amount equal to 50% of the severance amount payable by Seller under clause (i) above in the case of Alan Fine and (II) Seller shall pay in cash to Buyer an amount equal to 50% of the severance amount payable by Buyer under clause (i) above in the case of John Hendrix and Patti Ippoliti; provided that the amounts payable pursuant to clauses (I) and (II) may be netted against each other. With respect to Alan Fine, John Hendrix and Patti Ippoliti, Seller shall retain all obligations and liabilities (other than the severance payments described above) under their respective severance agreements, including without limitation, obligations and liabilities with respect to stock options and relocation costs; provided that Buyer shall be responsible for any continuing medical and dental benefit coverage for John Hendrix and Patti Ippoliti."

2.7 Section 9.3(b). Section 9.3(b) of the Agreement is hereby amended by inserting immediately before the period at the end of such Section, "including, without limitation, Alan Fine".

2.8 Section 11.3. Section 11.3 of the Agreement is hereby amended by (i) inserting the phrase "or any other contract or agreement to which the Company or any Subsidiary is a party and in respect of which Melville or one of its Affiliates is a guarantor" immediately after the phrase "(other than a Terminated Lease)" and (ii) inserting the phrase "or any such other contract or agreement" immediately before the word "occurring".

ARTICLE 3 SUPPLEMENTAL PROVISIONS

3.1 Representations and Warranties. For purposes of satisfying the condition set forth in Section 10.2(i)(B), the parties hereto agree that, as of the Closing Date:

- (i) item no. 8 of Schedule 3.14, which discloses the list of Stores being operated on a month-to-month basis, shall be deemed to have been amended by deleting the following stores, as such stores are no longer occupying their locations on a month-to-month basis: 44, 140, 319, 325, 361, 390, 422, 473, 701, 769, 771, 817, 7480, 7629, 7906, 8210 and 8647; and shall be deemed to have been

amended by adding the following stores, as such stores are now occupying their locations on a month-to-month basis: 28, 48, 142, 393, 835 and 7555.

- (ii) Seller has not, as of the Closing Date, delivered to Buyer true and complete copies of each of the material contracts disclosed in item no. 2 of Schedule 3.11 and Buyer hereby agrees to waive such obligation.

ARTICLE 4
MISCELLANEOUS

4.1 Incorporation by Reference. The provisions of Article 13 of the Agreement shall be incorporated by reference herein and each reference therein to the Agreement shall apply to this Amendment as if this Amendment were referred to therein.

4.2 Effect on Agreement. Except to the extent amended or supplemented as set forth in this Amendment, all provisions of the Agreement are and shall remain in full force and effect and are hereby ratified and confirmed in all respects, and the execution, delivery and effectiveness of this Agreement shall not operate as a waiver or amendment of any provision of the Agreement not specifically amended or supplemented by this Amendment.

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

MELVILLE CORPORATION

By _____
Name:
Title:

CONSOLIDATED STORES CORPORATION

By _____
Name:
Title:

\$600,000,000 REVOLVING CREDIT FACILITY

CREDIT AGREEMENT

by and among

CONSOLIDATED STORES CORPORATION, an Ohio corporation, as Borrower

and

THE BANKS PARTY HERETO

and

THE BANK OF NEW YORK, As Syndication Agent and Managing Agent

and

NATIONAL CITY BANK OF COLUMBUS, As Administrative Agent and Managing Agent

and

PNC BANK, OHIO, NATIONAL ASSOCIATION, As Arranger, Documentation Agent
and Managing Agent

and

BANK ONE, COLUMBUS, N.A., as Managing Agent

and

NATIONAL CITY BANK, as Managing Agent
Dated as of May 3, 1996

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SCHEDULE

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SCHEDULE 5.1.1	-	SUBSIDIARIES
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SCHEDULE 5.1.13	-	CONSENTS AND APPROVALS
SCHEDULE 5.1.18	-	MATERIAL CONTRACTS
SCHEDULE 5.1.20	-	EMPLOYEE BENEFIT PLAN DISCLOSURES
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SCHEDULE 7.2.1	-	EXISTING INDEBTEDNESS
SCHEDULE 7.2.4	-	LOANS AND INVESTMENTS

EXHIBITS

EXHIBIT 1.1(A)		FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT
EXHIBIT 1.1(G)(2)	-	FORM OF MASTER GUARANTY AGREEMENT
EXHIBIT 1.1(I)(1)		FORM OF INTERCOMPANY NOTE
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EXHIBIT 1.1(R)	-	FORM OF REVOLVING CREDIT NOTE
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EXHIBIT 2.5	-	FORM OF LOAN REQUEST
EXHIBIT 2.10.2		FORM OF SWING LOAN REQUEST
EXHIBIT 6.1.5	-	OPINION OF COUNSEL
EXHIBIT 7.3.3	-	FORM OF COMPLIANCE CERTIFICATE

-x-

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is dated as of May 3, 1996 and is made by and among CONSOLIDATED STORES CORPORATION, an Ohio corporation (the "Borrower"), the BANKS (as hereinafter defined), and THE BANK OF NEW YORK, in its capacity as Syndication Agent and as Managing Agent, NATIONAL CITY BANK OF COLUMBUS, in its capacity as Administrative Agent ("Administrative Agent") and as Managing Agent, PNC BANK, OHIO, NATIONAL ASSOCIATION, in its capacity as Arranger, as Documentation Agent (the "Documentation Agent") and as Managing Agent, BANK ONE, COLUMBUS, N.A., in its capacity as Managing Agent, and NATIONAL CITY BANK in its capacity as Managing Agent.

WITNESSETH:

WHEREAS, the Borrower has requested a revolving credit facility in an aggregate principal amount of \$600,000,000; and

WHEREAS, the Banks which have executed this Agreement as of May 3, 1996 are willing to provide a revolving credit facility not to exceed \$600,000,000; and

WHEREAS, such revolving credit facility is to be used to fund a portion of the Borrower's acquisition of Kay-Bee Center, Inc. and for certain other general corporate purposes (including working capital);

WHEREAS, the Banks are willing to provide such credit upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. CERTAIN DEFINITIONS

1.1 Certain Definitions.

In addition to words and terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof clearly requires otherwise:

Acquisition shall mean the acquisition of 100% of the common stock of Kay-Bee Center, Inc. by the Borrower from Melville Corporation pursuant to that certain Stock Purchase Agreement (the "Stock Purchase Agreement") dated as of March 25, 1996, as amended as of May 3, 1996, between the Company and Melville Corporation.

Administrative Agent shall mean National City Bank of Columbus, it its capacity as Administrative Agent and its successors and assigns.

Administrative Agent's Fee shall have the meaning assigned to that term in Section 9.15.

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. Control, as used in this definition, 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 elect a majority of the directors or trustees of a corporation or trust, as the case may be.

Agreement shall mean this Credit Agreement, as the same may be supplemented or amended from time to time, including all schedules and exhibits.

Annual Statements shall have the meaning assigned to that term in Section 5.1.9(i).

Applicable Documentary LC Percentage shall have the meaning assigned to that term in Section 2.9.3.1.

Applicable Standby LC Percentage shall have the meaning assigned to that term in Section 2.9.3.2.

Assignment and Assumption Agreement shall mean an Assignment and Assumption Agreement by and among a Purchasing Bank, a Transferor Bank and the Administrative Agent on behalf of the other Banks, substantially in the form of Exhibit 1.1(A).

Authorized Officer shall mean those individuals, designated by written notice to the Administrative Agent from the Borrower, authorized to execute notices, reports and other documents on behalf of the Loan Parties required hereunder. The Borrower may amend such list of individuals from time to time by giving written notice of such amendment to the Administrative Agent.

Banks shall mean the financial institutions named on Schedule 1.1(B) and their respective successors and assigns as permitted hereunder, each of which is referred to herein as a "Bank".

Base Rate shall mean the greater of (i) the interest rate per annum announced from time to time by National City Bank at its Principal Office as its then prime rate,

which rate may not be the lowest rate then being charged commercial borrowers by National City Bank, or (ii) the Federal Funds Effective Rate plus 1/2% per annum.

Base Tangible Net Worth shall mean the sum of (i) \$350,000,000 plus 50% of net income of the Company and its Subsidiaries for each fiscal quarter in which net income was earned (as opposed to a net loss) from and after February 3, 1996, through the date of determination as determined and consolidated in accordance with GAAP and (ii) the net cash proceeds from the sale of any capital stock or other equity interest of the Company less any sums paid or owing by the Company since the date hereof with respect to the redemption, repurchase or other retirement or cancellation of any of its capital stock or other equity interests.

Benefit Arrangement shall mean at any time an "employee benefit plan," within the meaning of Section 3(3) of ERISA, which is neither a Plan nor a Multiemployer Plan and which is maintained, sponsored or otherwise contributed to by any member of the ERISA Group.

Borrower shall mean Consolidated Stores Corporation, a corporation organized and existing under the laws of the State of Ohio.

Borrowing Date shall mean, with respect to any Revolving Credit Loan, the date for the making thereof or the renewal or conversion thereof at or to the same or a different Interest Rate Option, which shall be a Business Day.

Borrowing Tranche shall mean specified portions of Revolving Credit Loans outstanding as follows: (i) any Revolving Credit Loans to which a Revolving Credit Euro-Rate Option applies under the applicable Loan Request by the Borrower and which have the same Interest Period shall constitute one Borrowing Tranche, and (ii) all Revolving Credit Loans to which a Revolving Credit Base Rate Option applies shall constitute one Borrowing Tranche.

Business Day shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business in Columbus, Ohio or New York, New York, and, if the applicable Business Day relates to any Revolving Credit Loan to which the Revolving Credit Euro-Rate Option applies, such day must also be a day on which dealings in Dollar deposits are carried on in the London interbank market.

Capitalized Lease shall mean any lease of Property by a Person as lessee which is a capital lease in accordance with GAAP.

Closing Date shall mean the Business Day on which the first Revolving Credit Loan shall be made, which shall be May 3, 1996 or, if all the conditions specified in Article 6 have not been satisfied or waived by such date, not later than May 30, 1996, as designated by the Borrower by at least two Business Days' advance notice to the Managing Agents at their Principal Offices, or such other date as the parties agree. The closing shall take

place at 10:00 a.m., Pittsburgh time, on the Closing Date at the offices of Buchanan Ingersoll Professional Corporation, Pittsburgh, Pennsylvania, or at such other time and place as the parties agree.

Commitment shall mean as to any Bank its Revolving Credit Commitment and Commitments shall mean the aggregate of the Revolving Credit Commitments of all of the Banks.

Commitment Fee shall have the meaning assigned to that term in Section 2.3.

Company shall mean Consolidated Stores Corporation, a Delaware corporation, which beneficially owns directly or indirectly all of the capital stock of the Borrower and its Subsidiaries.

Consolidated Capital Expenditures means, for any period, the aggregate of all expenditures (whether paid in cash or accrued as liabilities and including that portion of Capitalized Leases which is capitalized on a consolidated balance sheet of the Company and its Subsidiaries) by the Company and its Subsidiaries during that period that, in conformity with GAAP, are required to be included in or reflected in the property, plant or equipment or similar fixed asset accounts reflected on a consolidated balance sheet of the Company and its Subsidiaries.

Consolidated EBIT for any period of determination shall mean an amount equal to (A) the sum of (i) the net income for such period plus (ii) interest expense in respect of Indebtedness to the extent deducted in determining net income for such period ("Interest Expense"), plus (iii) the provision for taxes for such period based on income or profits to the extent such income or profits were included in computing net income for such period, minus (B) all extraordinary income and gains to net income to the extent included in net income for such period, in each case of the Company and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

Consolidated Interest Expense for any period of determination shall be equal to the Interest Expense of the Company and its Subsidiaries as determined in subclause (ii) of clause (A) of the definition of the term "Consolidated EBIT" for such period on a consolidated basis in accordance with GAAP.

Consolidated Maturing Rentals shall mean the aggregate rental amounts payable by the Company and its Subsidiaries for the most recent four (4) full consecutive fiscal quarters immediately preceding the date of determination under any lease of Property having a remaining term (including any required renewals or any renewals at the option of the lessor or lessee) of less than one year (but does not include any amounts payable under Capitalized Leases), determined in accordance with GAAP.

Consolidated Rentals shall mean the aggregate rental amounts payable by the Company and its Subsidiaries for the most recent four (4) full consecutive fiscal quarters immediately preceding the date of determination under any lease of Property having a remaining term (including any required renewals or any renewals at the option of the lessor or lessee) of one year or more (but does not include any amounts payable under Capitalized Leases), determined in accordance with GAAP.

Consolidated Tangible Net Worth shall mean as of any date of determination total stockholders' equity less intangible assets of the Company and its Subsidiaries as of such date determined and consolidated in accordance with GAAP.

Documentary Letter of Credit shall have the meaning assigned to that term in Section 2.9.1.

Documentary Letter of Credit Outstanding shall mean at any time the sum of (i) aggregate undrawn face amount of outstanding Documentary Letters of Credit and (ii) without duplication, the aggregate amount of all unpaid and outstanding Reimbursement Obligations relating to Documentary Letters of Credit.

Documentation Agent shall mean PNC Bank, Ohio, National Association, and its successors and assigns, in its capacity as Documentation Agent.

Dollar, Dollars, U.S. Dollars and the symbol \$ shall mean lawful money of the United States of America.

Environmental Complaint shall mean any written complaint setting forth a cause of action for personal or property damage or natural resource damage or equitable relief, order, notice of violation, citation, request for information issued pursuant to any Environmental Laws by an Official Body, subpoena or other written notice of any type relating to, arising out of, or issued pursuant, to any of the Environmental Laws or any Environmental Conditions, as the case may be.

Environmental Conditions shall mean any conditions of the environment, including the workplace, the ocean, natural resources (including flora or fauna), soil, surface water, groundwater, any actual or potential drinking water supply sources, substrata or the ambient air, relating to or arising out of, or caused by, the use, handling, storage, treatment, recycling, generation, transportation, release, spilling, leaking, pumping, emptying, discharging, injecting, escaping, leaching, disposal, dumping, threatened release or other management or mismanagement of Regulated Substances resulting from the use of, or operations on, any Property.

Environmental Laws shall mean all federal, state, local and foreign Laws and regulations, including permits, licenses, authorizations, bonds, orders, judgments, and

consent decrees issued, or entered into, pursuant thereto, relating to pollution or protection of human health or the environment or employee safety in the workplace.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

ERISA Group shall mean, at any time, the Company and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

Euro-Rate shall mean with respect to the Revolving Credit Loans comprising any Borrowing Tranche to which the Revolving Credit Euro-Rate Option applies for any Interest Period, the interest rate per annum determined by the Administrative Agent by dividing (the resulting quotient rounded upward to the nearest 1/16 of 1% per annum) (i) the rate of interest determined by the Administrative Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the London interbank offered rates set forth on the "LIBO" page of the Reuters Monitor Money Rate Service (or appropriate successor) or, if Reuters or its successor ceases to provide such quotes, a comparable replacement determined by the Administrative Agent, at approximately 11:00 a.m. London time two (2) Business Days prior to the first day of such Interest Period for an amount comparable to such Borrowing Tranche and having a maturity comparable to such Interest Period by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage. The Euro-Rate may also be expressed by the following formula:

$$\text{Euro-Rate} = \frac{\begin{array}{l} \text{Average of London interbank offered rates} \\ \text{on LIBO page of Reuters Monitor Money} \\ \text{Rate Service or appropriate successor} \end{array}}{1.00 - \text{Euro-Rate Reserve Percentage}}$$

The Euro-Rate shall be adjusted with respect to any Revolving Credit Euro-Rate Option outstanding on the effective date of any change in the Euro-Rate Reserve Percentage as of such effective date. The Administrative Agent shall give prompt notice to the Borrower of the Euro-Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

Euro-Rate Reserve Percentage shall mean the maximum percentage (expressed as a decimal rounded upward to the nearest 1/100 of 1%) as determined by the Managing Agents which is in effect during any relevant period, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities") of a member bank in such System.

Event of Default shall mean any of the events described in Section 8.1.

Executive Officer shall mean as to any designated Person a natural Person who constitutes an executive officer of such designated Person for purposes of item 401(b) of Regulation S-K promulgated under the Securities Act of 1933 and the Securities Exchange Act of 1934.

Existing Bank Facility shall have the meaning ascribed thereto in Section 2.8.

Expiration Date shall have the meaning assigned to that term in Section 2.11.

Federal Funds Effective Rate for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of this Agreement; provided, if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the "Federal Funds Effective Rate" for such day shall be the Federal Funds Effective Rate for the last day of which such rate was announced.

Financial Projections shall have the meaning assigned to that term in Section 5.1.9(ii).

Fixed Charge Coverage Ratio shall mean on any date of determination, the ratio of (i) the sum of (a) Consolidated EBIT for the most recent four (4) full consecutive fiscal quarters immediately preceding the date of determination plus (b) Consolidated Rentals plus (c) Consolidated Maturing Rentals, to (ii) Fixed Charges.

Fixed Charges shall mean for any period of determination the sum of (i) Consolidated Interest Expense for the most recent four (4) full consecutive fiscal quarters immediately preceding the date of determination plus (ii) Consolidated Rentals plus (iii) Consolidated Maturing Rentals.

GAAP shall mean generally accepted accounting principles as are in effect from time to time, subject to the provisions of Section 1.3, and applied on a consistent basis both as to classification of items and amounts.

Governmental Acts shall have the meaning assigned to that term in Section 2.9.8.

Guarantor shall mean each of the Company and the Subsidiaries of the Company which is designated as a "Guarantor" on the signature page to the Master Guaranty Agreement and each other Subsidiary of the Company which joins the Master Guaranty Agreement and the other Loan Documents as a Guarantor after the date hereof pursuant to Section 10.18.

Guarantor Joinder shall mean a joinder to the Master Guaranty Agreement as provided in the Master Guaranty Agreement.

Guaranty of any Person shall mean any obligation of such Person guaranteeing or in effect guaranteeing any liability or obligation of any other Person in any manner, whether directly or indirectly, including any agreement to indemnify or hold harmless any other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business.

Historical Statements shall have the meaning assigned to that term in Section 5.1.9(i).

Indebtedness shall mean, 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. For purposes only of determining the ratio of total indebtedness to total capitalization in Section 7.2.17, the Seller Note shall be excluded from the term "Indebtedness" used in such section.

Intercompany Loans shall mean loans made by one Loan Party to one or more other Loan Parties or their Subsidiaries and, in the case of loans between the Borrower and the Material Subsidiaries and, if the Acquisition closes, between K.B. Consolidated, Inc. and Kay-Bee Center, Inc., evidenced by intercompany notes (the "Intercompany Notes") in the form attached hereto as Exhibit 1.1(I)(1).

Intercompany Notes shall have the meaning assigned to that term in the definition of the term "Intercompany Loans".

Interest Payment Date shall mean each date specified for the payment of interest in Section 4.3.

Interest Period shall have the meaning assigned to such term in Section 3.2.

Interest Rate Option shall mean any Revolving Credit Euro-Rate Option or Revolving Credit Base Rate Option.

Internal Revenue Code shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

Issuing Letter of Credit Bank shall mean with respect to a Letter of Credit either The Bank of New York (or an Affiliate of The Bank of New York) or National City Bank of Columbus (or an Affiliate of National City Bank of Columbus) which has issued that Letter of Credit pursuant to Section 2.9.

Labor Contracts shall mean all employment agreements, employment contracts, collective bargaining agreements and other agreements among any Loan Party or Subsidiary of a Loan Party and its employees.

Law shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree or award of any Official Body.

Letter of Credit shall have the meaning assigned to that term in Section 2.9.1.

Letter of Credit Outstandings shall mean at any time the sum of (i) the aggregate undrawn face amount of outstanding Documentary Letters of Credit and Standby Letters of Credit and (ii) without duplication, the aggregate amount of all unpaid and outstanding Reimbursement Obligations.

Letters of Credit Fees shall have the meaning assigned to that term in Section 2.9.3.

Lien shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

Loan Documents shall mean this Agreement, the Master Guaranty Agreement, the Master Intercompany Subordination Agreement, the Revolving Credit Notes, and any other instruments, certificates or documents delivered or contemplated to be delivered hereunder or thereunder or in connection herewith or therewith, as the same may be supplemented or amended from time to time in accordance herewith or therewith, and Loan Document shall mean any of the Loan Documents.

Loan Parties shall mean the Borrower and the Guarantors.

Loan Request shall have the meaning ascribed thereto in Section 2.5.

Managing Agents shall mean all of the financial institutions identified as a Managing Agent on the first page hereof, each of which is referred to herein as a "Managing Agent".

Master Guaranty Agreement shall mean the Master Guaranty and Suretyship Agreement in substantially the form of Exhibit 1.1(G)(2) executed and delivered by the Company and the other Guarantors to the Administrative Agent for the benefit of the Banks.

Master Intercompany Subordination Agreement shall mean a subordination agreement among the Loan Parties in the form attached hereto as Exhibit 1.1(I)(2).

Material Adverse Change shall mean any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Agreement or any other Loan Document, (b) is or could reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations or prospects of the Loan Parties and their Subsidiaries taken as a whole, (c) impairs materially or could reasonably be expected to impair materially the ability of the Loan Parties and their Subsidiaries taken as a whole to duly and punctually pay or perform their Indebtedness, or (d) impairs materially or could reasonably be expected to impair materially the ability of the Documentation Agent or any of the Banks, to the extent permitted, to enforce their legal remedies pursuant to this Agreement or any other Loan Document; provided, however, that in no event shall the failure to close the Acquisition be deemed to constitute a Material Adverse Change.

Material Subsidiary shall mean any of C S Ross Company, an Ohio corporation, CSIC Venture, Inc., a Delaware corporation, K.B. Consolidated, Inc., an Ohio corporation, and, if the Acquisition closes, Kay-Bee Center, Inc., a California corporation, and any Subsidiary of the Borrower (other than CW Kay-Bee, Inc. or Kay-Bee Toy & Hobby Shops, Inc.) 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.

Month, with respect to an Interest Period under the Revolving Credit Euro-Rate Option, shall mean the interval between the days in consecutive calendar months numerically corresponding to the first day of such Interest Period. If any Euro-Rate Interest Period begins on a day of a calendar month for which there is no numerically corresponding day in the month in which such Interest Period is to end, the final month of such Interest Period shall be deemed to end on the last Business Day of such final month.

Multiemployer Plan shall mean any employee benefit plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which the Borrower or any member of the ERISA Group is then making or accruing an obligation to make contributions or, within the preceding five plan years, has made or had an obligation to make such contributions.

Multiple Employer Plan shall mean a Plan which has two or more contributing sponsors (including the Borrower or any member of the ERISA Group) at least two of whom are not under common control, as such a plan is described in Sections 4063 and 4064 of ERISA.

Notices shall have the meaning assigned to that term in Section 10.6.

Obligation shall mean any obligation or liability of any of the Loan Parties to the Documentation Agent, the Syndication Agent, the Administrative Agent, the Managing Agents, the Issuing Letter of Credit Banks or any of the Banks, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, under or in connection with this Agreement, the Revolving Credit Notes, the Letters of Credit or any other Loan Document.

Official Body shall mean any national, federal, state, local or other government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

PBGC shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor thereto.

Permitted Investments shall mean:

(i) direct obligations of the United States of America or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America maturing in twelve (12) months or less from the date of acquisition;

(ii) commercial paper maturing in 180 days or less rated not lower than A-1 by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. or P-1 by Moody's Investors Service, Inc. on the date of acquisition; and

(iii) demand deposits, time deposits or certificates of deposit maturing within one year in commercial banks whose obligations are rated A-1, A or the equivalent or better by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. on the date of acquisition.

Permitted Liens shall mean:

(i) Liens for taxes, assessments, or similar charges, incurred in the ordinary course of business and which are not yet due and payable;

(ii) Pledges or deposits made in the ordinary course of business to secure payment of workmen's compensation, or to participate in any fund in connection with workmen's compensation, unemployment insurance, old-age pensions or other social security programs;

(iii) Liens of mechanics, materialmen, warehousemen, carriers, or other like Liens, securing obligations incurred in the ordinary course of business that are not yet due and payable and Liens of landlords securing obligations to pay lease payments that are not yet due and payable or in default;

(iv) Good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business;

(v) Encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use;

(vi) Liens and security interests in favor of the Administrative Agent for the benefit of the Banks or any Issuing Letter of Credit Bank in the application for a Letter of Credit;

(vii) Liens on property leased by any Loan Party or Subsidiary of a Loan Party or other interest or title of the lessor under capital and operating leases not otherwise prohibited by Section 7.2.15 securing obligations of such Loan Party or Subsidiary to the lessor under such leases;

(viii) Any Lien existing on the date of this Agreement and described on Schedule 1.1(P), provided that the principal amount secured thereby is not hereafter increased (although it may be refinanced), and no additional assets become subject to such Lien;

(ix) Purchase Money Security Interests to the extent that (X) such Purchase Money Security Interests attach to inventory purchased in the ordinary course of business pursuant to customary payment terms and are not perfected by the filing of financing statements or other public filings or (Y) the aggregate amount of loans and deferred payments secured by Purchase Money Security Interests not described in the foregoing clause (X) do not exceed at any one time outstanding \$10,000,000 (excluding for the purpose of this computation any loans or deferred payments secured by Liens described on Schedule 1.1(P));

(x) Liens relating to the licensing by Borrower, the other Loan Parties or their Subsidiaries of intellectual property;

(xi) Liens relating to a sublease entered into by a Loan Party or its Subsidiary;

(xii) The following, (A) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed or (B) if a final judgment is entered and such judgment is discharged within thirty (30) days of entry or (C) payments covered in full (subject to customary deductibles) by an insurance company of reputable standing if such insurance company has acknowledged that the applicable policy applies to the following and is not reserving any right to contest applicability, and in any case they do not in the aggregate, materially impair the ability of any Loan Party to perform its Obligations hereunder or under the other Loan Documents:

(1) Claims or Liens for taxes, assessments or charges by the United States, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, including the PBGC, due and payable and subject to interest or penalty, provided that the applicable Loan Party maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any such Lien;

(2) Claims, Liens or encumbrances upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits; and

(3) Claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens; and

(xiii) additional Liens securing Indebtedness not to exceed \$10,000,000.

Person shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, joint venture, limited liability company, government or political subdivision or agency thereof, or any other entity.

Plan shall mean at any time an employee pension benefit plan (including a Multiple Employer Plan, but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained by any entity which was at such time a member of the ERISA Group for employees of any entity which was at such time a member of the ERISA Group.

PNC Bank shall mean PNC Bank, Ohio, National Association, its successors and assigns.

Potential Default shall mean any event or condition which with notice, passage of time or a determination by the Managing Agents or the Required Banks, or any combination of the foregoing, would constitute an Event of Default.

Principal Office shall mean the main banking office of the Administrative Agent in Columbus, Ohio or the main banking office of a Managing Agent at the address shown on the signature page hereto, as the case may be.

Prohibited Transaction shall mean any prohibited transaction as defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA for which neither an individual nor a class exemption has been issued by the United States Department of Labor.

Property shall mean all real property, both owned and leased, of any Loan Party or Subsidiary of a Loan Party.

Purchase Money Security Interest shall mean Liens upon real or personal property securing loans to any Loan Party or Subsidiary of a Loan Party or deferred payments by such Loan Party or Subsidiary for the purchase of such property.

Purchasing Bank shall mean a Bank which becomes a party to this Agreement by executing an Assignment and Assumption Agreement.

Ratable Share shall mean the proportion that a Bank's Commitment bears to the Commitments of all of the Banks.

Regulated Substances shall mean any substance including any solid, liquid, semisolid, gaseous, thermal, thoriated or radioactive material, refuse, garbage, wastes, chemicals, petroleum products, by-products and coproducts, impurities, dust, scrap, and heavy metals defined as a "hazardous substance," "pollutant," "pollution," "contaminant," "hazardous or

toxic substance," "extremely hazardous substance," "toxic chemical," "toxic waste," "hazardous waste," "industrial waste," "residual waste," "solid waste," "municipal waste," "mixed waste," "infectious waste," "chemotherapeutic waste," "medical waste," or "regulated substance" or any related materials, substances or wastes as now or hereafter defined pursuant to any Environmental Laws, ordinances, rules, regulations or other directives of any Official Body, the generation, manufacture, extraction, processing, distribution, treatment, storage, disposal, transport, recycling, reclamation, use, reuse, spilling, leaking, dumping, injection, pumping, leaching, emptying, discharge, escape, release or other management or mismanagement of which is regulated by the Environmental Laws.

Regulation U shall mean Regulation U, T, G or X as promulgated by the Board of Governors of the Federal Reserve System, as amended from time to time.

Reimbursement Obligation shall have the meaning assigned to such term in Section 2.9.4.

Reportable Event shall mean a reportable event described in Section 4043 of ERISA and regulations thereunder with respect to a Plan or Multiemployer Plan.

Required Banks shall mean (i) prior to the termination of the Commitments, Banks whose Commitments aggregate at least 66 2/3% of the Commitments of all of the Banks, and (ii) after the termination of the Commitments, Banks whose outstanding Revolving Credit Loans and Ratable Share (as determined pursuant to Section 2.9.2) in the face amount of outstanding Letters of Credit and Reimbursement Obligations aggregate at least 66 2/3% of the total principal amount of the Revolving Credit Loans and the face amount of Letters of Credit and Reimbursement Obligations outstanding hereunder.

Revolving Credit Base Rate Option shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(i).

Revolving Credit Commitment shall mean, as to any Bank at any time the amount initially set forth opposite its name in Part A on Schedule 1.1(B) in the column labeled "Revolving Credit Commitment" unless the closing of the Acquisition shall not have occurred on or before 12:01 a.m. on May 8, 1996 in which event "Revolving Credit Commitment" shall then mean the amount initially set forth opposite its name in Part B on Schedule 1.1(B) in the column labeled "Revolving Credit Commitment," and thereafter on Schedule I to the most recent Assignment and Assumption Agreement, as the same may have been reduced in accordance with Section 2.4 and Revolving Credit Commitments shall mean the aggregate Revolving Credit Commitments of all of the Banks.

Revolving Credit Euro-Rate Option shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(ii).

Revolving Credit Euro-Rate Spread shall have the meaning given to such term in Section 3.1.1(ii).

Revolving Credit Loans shall mean collectively and Revolving Credit Loan shall mean separately all loans or any loan made by the Banks or one of the Banks to the Borrower pursuant to Section 2.1 or 2.9.4.

Revolving Credit Notes shall mean collectively and Revolving Credit Note shall mean separately all the Revolving Credit Notes of the Borrower in the form attached hereto as Exhibit 1.1(R) evidencing the Revolving Credit Loans together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

Revolving Facility Usage shall mean at any time the sum of the Revolving Credit Loans outstanding, the Swing Loans outstanding and the Letter of Credit Outstandings.

Rollover LCs shall mean those letters of credit identified on Schedule 2.9.1 hereof which were issued by the Issuing Letter of Credit Banks prior to the date hereof upon the application of the Borrower or one of its Subsidiaries (including those Subsidiaries to be acquired in the Acquisition).

Seller Note shall mean the senior subordinated term note or notes originally issued to Melville Corporation in the principal amount of \$100,000,000 pursuant to that certain Indenture to be dated May 5, 1996 and any replacement note or notes for such note or notes including notes which may be issued to transferees of holders thereof.

Settlement Date shall have the meaning assigned thereto in Section 2.10.

Senior Notes shall have the meaning assigned thereto in Section 2.8.

Shares shall have the meaning assigned to that term in Section 5.1.2.

Standby Letter of Credit shall have the meaning assigned to that term in Section 2.9.1.

Stock Purchase Agreement shall have the meaning assigned to that term in the definition of the term "Acquisition".

Standby Letter of Credit Outstandings shall mean at any time the sum of (i) the aggregate undrawn face amount of outstanding Standby Letters of Credit and (ii) without duplication, the aggregate amount of all unpaid and outstanding Reimbursement Obligations relating to Standby Letters of Credit.

Subordinated Bridge Financing shall mean the Short Term Loan Agreement to be dated as of May 3, 1996 and each guaranty thereof, as amended, supplemented or otherwise modified from time to time in accordance with its terms, and any replacements or

refinancings thereof to the extent permitted by the terms of such agreement, between the Borrower, the Initial Lenders named therein and Merrill Lynch Capital Corporation, a Delaware corporation, as agent for the Initial Lenders named therein, which provides for the making of a single loan in the amount of \$100,000,000 to the Borrower and which loan is subordinated to the rights of the Documentation Agent, the Administrative Agent, the Syndication Agent, the Managing Agents, the Issuing Letter of Credit Banks and the Banks pursuant to the subordination terms contained therein.

Subsidiary of any Person at any time shall mean (i) any corporation or trust of which 50% or more (by number of shares or number of votes) of the outstanding capital stock or shares of beneficial interest normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, or any partnership of which such Person is a general partner or of which 50% or more of the partnership interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries, or (ii) any corporation, trust, partnership or other entity which is controlled or capable of being controlled by such Person and/or one or more of such Person's Subsidiaries.

Subsidiary Shares shall have the meaning assigned to that term in Section 5.1.3.

Swing Lender shall mean National City Bank of Columbus.

Swing Loan Commitment shall mean the Swing Lender's commitment to make Swing Loans to the Borrower pursuant to Section 2.10 in an aggregate principal amount up to but not in excess of the lesser of (i) the Swing Lender's Revolving Credit Commitment less the Swing Lender's Ratable Share of Revolving Facility Usage or (ii) \$10,000,000.

Swing Note shall mean the Swing Note of the Borrower in the form of Exhibit 1.1(S)(1) evidencing the Swing Loans, together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

Swing Loan Request shall mean a request for Swing Loans made in accordance with Section 2.10.2.

Swing Loans shall mean collectively and Swing Loan shall mean separately all Swing Loans or any Swing Loan made by the Swing Lender to the Borrower pursuant to Section 2.10.

Syndication Agent shall mean The Bank of New York in its capacity as Syndication Agent.

Transferor Bank shall mean the selling Bank pursuant to an Assignment and Assumption Agreement.

1.2 Construction.

Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents:

1.2.1 Number; Inclusion.

References to the plural include the singular, the plural, the part and the whole; "or" has the inclusive meaning represented by the phrase "and/or," and "including" has the meaning represented by the phrase "including without limitation";

1.2.2 Determination.

References to "determination" of or by the Administrative Agent or the Banks shall be deemed to include good-faith estimates by the Administrative Agent or the Banks (in the case of quantitative determinations) and good-faith beliefs by the Administrative Agent or the Banks (in the case of qualitative determinations) and such determination shall be conclusive absent manifest error;

1.2.3 Documentation Agent's Discretion and Consent.

Whenever the Documentation Agent or the Banks are granted the right herein to act in its or their sole discretion or to grant or withhold consent such right shall be exercised in good-faith;

1.2.4 Documents Taken as a Whole.

The words "hereof," "herein," "hereunder," "hereto" and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole and not to any particular provision of this Agreement or such other Loan Document;

1.2.5 Headings.

The section and other headings contained in this Agreement or such other Loan Document and the Table of Contents (if any) preceding this Agreement or such other Loan Document are for reference purposes only and shall not control or affect the construction of this Agreement or such other Loan Document or the interpretation thereof in any respect;

1.2.6 Implied References to this Agreement.

Article, section, subsection, clause, schedule and exhibit references are to this Agreement or such other Loan Document, as the case may be, unless otherwise specified;

1.2.7 Persons.

Reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement or such other Loan Document, as the case may be, and reference to a Person in a particular capacity excludes such Person in any other capacity;

1.2.8 Modifications to Documents.

Reference to any agreement (including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto), document or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded or restated;

1.2.9 From, To and Through.

Relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding," and "through" means "through and including"; and

1.2.10 Shall; Will.

References to "shall" and "will" are intended to have the same meaning.

1.3 Accounting Principles.

Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP. In the event that on or after the date hereof, a material change occurs in GAAP, the Banks and the Borrower will consult in good faith regarding whether such change in GAAP affects any financial covenants contained herein that should be adjusted due to such change in GAAP.

2. REVOLVING CREDIT FACILITY

2.1 Revolving Credit Commitments.

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Bank severally agrees to make Revolving Credit Loans to the Borrower at any time or from time to time on or after the date hereof to the Expiration Date in an aggregate principal amount not to exceed at any one time such Bank's Revolving Credit Commitment minus such Bank's Ratable Share of the Letter of Credit Outstandings. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.1; provided that in no event shall (i) the Revolving Credit Loans exceed, at any one time, the sum of \$450,000,000 plus the amounts, if any, advanced by the Banks to all Issuing Letter of Credit Banks with respect to disbursements under Letters of Credit that have not been reimbursed by the Borrower as required by Section 2.9.4 or (ii) the Revolving Facility Usage exceed, at any one time, the Revolving Credit Commitments or (iii) the Revolving Facility Usage exceed, at any one time prior to the closing of the Acquisition, \$460,000,000.

2.2 Nature of Banks' Obligations with Respect to Revolving Credit Loans.

Each Bank shall be obligated to participate in each request for Revolving Credit Loans pursuant to Section 2.5 in accordance with its Ratable Share. The aggregate of each Bank's Revolving Credit Loans outstanding hereunder to the Borrower at any time shall never exceed its Revolving Credit Commitment minus its Ratable Share of the Letter of Credit Outstandings. The obligations of each Bank hereunder are several. The failure of any Bank to perform its obligations hereunder shall not affect the Obligations of the Borrower to any other party nor shall any other party be liable for the failure of such Bank to perform its obligations hereunder. The Banks shall have no obligation to make Revolving Credit Loans hereunder on or after the Expiration Date.

2.3 Commitment Fees.

Accruing from the date hereof until the Expiration Date, the Borrower agrees to pay to the Administrative Agent for the account of each Bank, as consideration for such Bank's Revolving Credit Commitment hereunder, a nonrefundable commitment fee (the "Commitment Fee") equal to a percentage per annum (the "Applicable Commitment Percentage") (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) times the average daily difference between (i) the amount of such Bank's Revolving Credit Commitment as the same may be constituted from time to time, and (ii) the sum of such Bank's Revolving Credit Loans outstanding plus its Ratable Share of Letters of Credit Outstanding. The Applicable Commitment Percentage shall be determined based upon the Fixed Charge Coverage Ratio as follows:

Fixed Charge Coverage Ratio

Applicable Commitment Percentage (rate per annum)

greater than or equal to 2.20 to 1.00	0.175%
greater than or equal to 2.05 to 1.00 but less than 2.20 to 1.00	0.200%
greater than or equal to 1.90 to 1.00 but less than 2.05 to 1.00	0.225%
greater than or equal to 1.75 to 1.00 but less than 1.90 to 1.00	0.250%
less than 1.75 to 1.00	0.375%

All Commitment Fees shall be payable quarterly in arrears on the first Business Day of each March, June, September and December after the date hereof and on the Expiration Date or upon acceleration of the Revolving Credit Notes.

Until the Borrower shall have delivered to the Administrative Agent a Compliance Certificate covering the four fiscal periods ending on the Saturday nearest April 30, 1997, the Fixed Charge Coverage Ratio shall be deemed to be 1.75 to 1.00. For each fiscal quarter subsequent to the completion of four full fiscal quarters after the Acquisition, the Fixed Charge Coverage Ratio shall be computed based on the Compliance Certificate for such quarter. Any change in the Fixed Charge Coverage Ratio (and the Applicable Commitment Percentage) shall be effective on the date on which the Compliance Certificate evidencing the computation of such Fixed Charge Coverage Ratio is delivered to the Administrative Agent; provided, however, that if the Compliance Certificate evidencing the computation of the Fixed Charge Coverage Ratio is not delivered on the date on which such Compliance Certificate is due to be delivered under Section 7.3.3, the Fixed Charge Coverage Ratio on and after the date on which such Compliance Certificate is due to be delivered under Section 7.3.3 and until the date on which such Compliance Certificate is delivered to the Administrative Agent shall be deemed to be less than 1.75 to 1.00 and the Applicable Commitment Percentage for such period computed accordingly.

2.4 Reduction of Commitments.

2.4.1 Voluntary Reduction of Commitments.

The Borrower shall have the right at any time and from time to time upon three (3) Business Days' prior written notice to the Banks to permanently reduce, in whole multiples of

\$10,000,000, or terminate the Revolving Credit Commitments without penalty or premium, except as hereinafter set forth, provided that any such reduction or termination shall be accompanied by (a) the payment in full of any Commitment Fee then accrued on the amount of such reduction or termination and (b) prepayment of the Revolving Credit Notes, together with the full amount of interest accrued on the principal sum to be prepaid (and all amounts referred to in Section 4.6) and the Borrower shall deposit in a non-interest bearing account (provided that with the consent of the Managing Agents, such consent not to be unreasonably withheld, such account may be an interest bearing account) with the Administrative Agent, as cash collateral for its Obligations in respect of the Letters of Credit and related applications and agreements, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrower hereby pledges to the Administrative Agent and the Banks, and grants to the Administrative Agent and the Banks a security interest in, all such cash as security for such Obligations, to the extent that the Revolving Credit Usage then exceeds the Revolving Credit Commitments as so reduced or terminated. From the effective date of any such reduction or termination the obligations of Borrower to pay the Commitment Fee pursuant to Section 2.3 shall correspondingly be reduced or cease.

2.4.2 Mandatory Reduction of Commitments.

The Revolving Credit Commitments shall be permanently reduced in accordance with the following:

- (i) with respect to sales, transfers or leases permitted to be made pursuant to Section 7.2.7(iv), the Revolving Credit Commitments shall be permanently reduced to the extent that the aggregate after-tax net cash proceeds (including without limitation cash, as and when collected, pursuant to any notes or other securities received as consideration for such sale, transfer or lease), as reasonably estimated by the Borrower, of all such sales, transfers or leases on and after the date hereof are in excess of \$25,000,000 and each Bank's Revolving Credit Commitment shall be reduced by its Ratable Share of each such reduction in the Revolving Credit Commitments;
- (ii) the Revolving Credit Commitments shall be permanently reduced to \$250,000,000 in the event that the closing of the Acquisition shall not have occurred prior to 12:01 a.m. on May 8, 1996 and each Bank's Revolving Credit Commitment shall be as set forth on Part B of Schedule 1.1(B).

2.5 Revolving Credit Loan Requests.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request the Banks to make Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Revolving Credit Loans pursuant to Section 3.2, by delivering to the Administrative Agent, not later than 10:00 a.m., Columbus, Ohio time, (i) three (3) Business Days prior to the proposed Borrowing Date with respect to the making of Revolving Credit Loans to which the Revolving Credit Euro-Rate Option applies or the conversion to or the renewal of the Revolving Credit Euro-Rate Option for any Revolving Credit Loans; and (ii) one (1) Business Day prior to either the proposed Borrowing Date with respect to the making of a Revolving Credit Loan to which the Revolving Credit Base Rate Option applies or the last day of the preceding Interest Period with respect to the conversion to the Revolving Credit Base Rate Option for any Revolving Credit Loan, of a duly completed request therefor substantially in the form of Exhibit 2.5 or a request by telephone immediately confirmed in writing by letter, facsimile or telex in such form (each, a "Loan Request"), it being understood that the Administrative Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify (i) the proposed Borrowing Date; (ii) the aggregate amount of the proposed Revolving Credit Loans comprising each Borrowing Tranche, which shall be in integral multiples of \$1,000,000 and not less than \$5,000,000 for each Borrowing Tranche to which the Revolving Credit Euro-Rate Option applies and not less than the lesser of \$5,000,000 or the maximum amount available for Borrowing Tranches to which the Revolving Credit Base Rate Option applies; (iii) whether the Revolving Credit Euro-Rate Option or Revolving Credit Base Rate Option shall apply to the proposed Revolving Credit Loans comprising the applicable Borrowing Tranche; and (iv) in the case of a Borrowing Tranche to which the Revolving Credit Euro-Rate Option applies, an appropriate Interest Period for the proposed Revolving Credit Loans comprising such Borrowing Tranche.

2.6 Making Revolving Credit Loans.

The Administrative Agent shall, promptly after receipt by it of a Loan Request pursuant to Section 2.5, notify the Banks of its receipt of the related Loan Request specifying: (i) the proposed Borrowing Date of such Revolving Credit Loans; (ii) the amount and type of each such Revolving Credit Loan and the applicable Interest Period (if any); and (iii) the apportionment among the Banks of such Revolving Credit Loans as determined by the Administrative Agent in accordance with Section 2.2. Each Bank shall remit the principal amount of each Revolving Credit Loan to the Administrative Agent such that the Administrative Agent is able to, and the Administrative Agent shall, to the extent the Banks have made funds available to it for such purpose, fund such Revolving Credit Loans to the Borrower in Dollars and immediately available funds at the Principal Office prior to 2:00 p.m., Columbus, Ohio time, on the applicable Borrowing Date, provided that if the Administrative Agent assumes pursuant to

Section 9.16 that a Bank will make available to the Administrative Agent such Bank's portion of a Revolving Credit Loan and such Bank fails to remit such funds to the Administrative Agent in a timely manner, the Administrative Agent may elect in its sole discretion to fund with its own funds the Revolving Credit Loans of such Bank on such Borrowing Date, and such Bank shall be subject to the repayment obligation in Section 9.16.

2.7 Revolving Credit Notes.

The Obligation of the Borrower to repay the aggregate unpaid principal amount of the Revolving Credit Loans made to it by each Bank, together with interest thereon, shall be evidenced by a Revolving Credit Note dated the Closing Date payable to the order of such Bank in a face amount equal to the Revolving Credit Commitment of such Bank.

2.8 Use of Proceeds.

The proceeds of the Revolving Credit Loans shall be used to finance a portion of the Acquisition, to retire the 10.50% senior notes (the "Senior Notes") issued pursuant to the several Note Purchase Agreements dated August 1, 1987, to repay all Indebtedness owing pursuant that certain Credit Agreement dated May 27, 1994 among the Borrower, C.S. Ross Company and certain financial institutions described therein(collectively the "Existing Bank Facility") and for working capital and similar general corporate purposes, but shall not be used, directly or indirectly, to repay, purchase or otherwise retire any borrowings under the Subordinated Bridge Facility or to redeem, repurchase or otherwise acquire any capital stock of the Company. Letters of Credit shall be used for commercial purposes of the Borrower and its Subsidiaries in the ordinary course of business for the purchase of goods and services and to assure the Borrower's or its Subsidiaries' performance of workmen's compensation or liability or of refund, warranty, or other obligations incurred in the ordinary course of business of the Borrower or its Subsidiaries.

2.9 Letters of Credit Subfacility.

2.9.1 Issuance of Letters of Credit.

Borrower or a Material Subsidiary may request the issuance of (or modification of any issued) commercial letters of credit in connection with the Borrower's or Subsidiary of the Borrower's purchase of goods and services (each a "Documentary Letter of Credit") and standby letters of credit for the benefit of workmen's compensation or liability insurers, state and federal agencies to assure compliance with applicable Laws and other Persons in support of refund, warranty or other obligations of the Borrower or a Subsidiary of the Borrower (each a "Standby Letter of Credit" and together with Documentary Letters of Credit referred to as "Letters of Credit" in the aggregate or individually as a "Letter of Credit") on behalf of itself or another Loan Party by delivering by no later than 10:00 a.m., Columbus, Ohio time, at least two (2) Business Days in the case of a Documentary Letter of Credit and three (3) Business Days in case of a Standby Letter of Credit prior to the requested date of issuance of

such Letter of Credit to the applicable Issuing Letter of Credit Bank with a copy to the Administrative Agent a written notice specifying the proposed beneficiary, date of issuance and expiry date for such Letter of Credit or modification to an existing Letter of Credit and the nature of the transactions to be supported thereby. Subject to the terms and conditions hereof and to the execution of a completed application and agreement for letters of credit in such form as the applicable Issuing Letter of Credit Bank may specify from time to time and in reliance on the agreements of the Banks set forth in this Section 2.9, such Issuing Letter of Credit Bank will issue a Letter of Credit provided that each Letter of Credit shall (A) have a maximum maturity of 364 days from the date of issuance, (B) in no event expire later than five Business Days prior to the Expiration Date and provided further that in no event shall (i) the Letter of Credit Outstandings exceed, at any one time, \$200,000,000 or (ii) the Revolving Facility Usage exceed, at any one time, the Revolving Credit Commitments. Each of the Rollover LCs listed on Schedule 2.9.1 shall be deemed to have been issued hereunder on the Closing Date (other than those which relate to Kay-Bee Center, Inc. and its subsidiaries which if the Acquisition closes shall be deemed to have been issued hereunder as of the closing of the Acquisition) by the applicable Issuing Letter of Credit Bank upon the request of the Borrower or a Material Subsidiary as indicated on Schedule 2.9.1 as a Documentary Letter of Credit or Standby Letter of Credit, as the case may be, and shall be deemed to be a Letter of Credit for all purposes of this Agreement. In the event of any conflict between the terms of this Agreement and the terms of any Issuing Letter of Credit Bank's application and agreement for letters of credit, the terms of this Agreement shall control (provided that terms of any Issuing Letter of Credit Bank's application and agreement for letters of credit which are in addition to those contained herein and which do not expressly conflict with the terms contained herein shall not be deemed to be in conflict with this Agreement).

2.9.2 Participations.

Immediately upon issuance of each Letter of Credit, and without further action, each Bank shall be deemed to, and hereby agrees that it shall, have irrevocably purchased for such Bank's own account and risk from the applicable Issuing Letter of Credit Bank an individual participation interest in such Letter of Credit and drawings thereunder in an amount equal to such Bank's Ratable Share of the maximum amount which is or at any time may become available to be drawn thereunder, and each Bank shall be responsible to reimburse such Issuing Letter of Credit Bank immediately for its Ratable Share of any disbursement under any Letter of Credit which has not been reimbursed by Borrower in accordance with Section 2.9.4 by making its Ratable Share of the Revolving Credit Loans referred to in Section 2.9.4 available to such Issuing Letter of Credit Bank. Upon the request of any Bank and no less frequently than once in each calendar month, the Administrative Agent shall notify each Bank of the amount of such Bank's participation in Letters of Credit.

2.9.3 Letter of Credit Fees.

The Borrower shall pay to the Administrative Agent for the ratable account of the Banks fees with respect to Documentary Letters of Credit ("Documentary Letters of Credit Fees") and fees with respect to Standby Letters of Credit ("Standby Letters of Credit Fees") (collectively, "Letters of Credit Fees") in the amounts set forth in Sections 2.9.3.1 and 2.9.3.2 (as the same may be increased as provided in Section 3.3). All Letters of Credit Fees shall be payable quarterly in arrears commencing with the first Business Day of each April, July, October and January following issuance of each Letter of Credit and on the earlier of the Expiration Date or the acceleration of the Revolving Credit Notes.

2.9.3.1 Documentary Letter of Credit Fees.

Documentary Letters of Credit Fees shall be determined by that percentage per annum set forth in the following table which is applicable to the Fixed Charge Coverage Ratio then in effect (the "Applicable Documentary LC Percentage") (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) times the average daily Documentary Letter of Credit Outstandings. The Applicable Documentary LC Percentage shall be determined as follows:

Fixed Charge Coverage Ratio -----	Applicable Documentary LC Percentage (rate per annum) -----
greater than or equal to 2.20 to 1.00	0.250%
greater than or equal to 2.05 to 1.00 but less than 2.20 to 1.00	0.3125%
greater than or equal to 1.90 to 1.00 but less than 2.05 to 1.00	0.375%
greater than or equal to 1.75 to 1.00 but less than 1.90 to 1.00	0.500%
less than 1.75 to 1.00	0.625%

Until the Borrower shall have delivered to the Administrative Agent a Compliance Certificate covering the four fiscal periods ending on the Saturday nearest April 30, 1997, the Fixed Charge Coverage Ratio shall be deemed to be 1.75 to 1.00. For each fiscal quarter subsequent to the completion of four full fiscal quarters after the Acquisition, the Fixed Charge Coverage Ratio shall be computed based on the Compliance Certificate for such quarter. Any change in the Fixed Charge Coverage Ratio (and the Applicable LC Percentage) shall be effective on the date on which the Compliance Certificate evidencing the computation of such Fixed Charge Coverage Ratio is delivered to the Administrative Agent; provided, however, that

if the Compliance Certificate evidencing the computation of the Fixed Charge Coverage Ratio is not delivered on the date on which such Compliance Certificate is due to be delivered under Section 7.3.3, the Fixed Charge Coverage Ratio on and after the date on which such Compliance Certificate is due to be delivered under Section 7.3.3 and until the date on which such Compliance Certificate is delivered to the Administrative Agent shall be deemed to be less than 1.75 to 1.00 and the Applicable Documentary LC Percentage for such period computed accordingly.

The Borrower shall also pay to the applicable Issuing Letter of Credit Bank for its sole account (i) a fronting fee as determined by such Issuing Letter of Credit Bank and the Borrower and (ii) such Issuing Letter of Credit Bank's then in effect customary issuance fees and administrative expense payable with respect to its Documentary Letters of Credit as such Issuing Letter of Credit Bank may generally charge or incur from time to time in connection with the issuance, maintenance, modification (if any), assignment or transfer (if any), negotiation, and administration of commercial letters of credit, payable at such times as such Issuing Letter of Credit Bank may specify.

2.9.3.2 Standby Letter of Credit Fees.

Standby Letters of Credit Fees shall be determined by that percentage per annum set forth in the following table which is applicable to the Fixed Charge Coverage Ratio then in effect (the "Applicable Standby LC Percentage") (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) times the average daily Standby Letter of Credit Outstandings. The Applicable Standby LC Percentage shall be determined as follows:

Fixed Charge Coverage Ratio -----	Applicable Standby LC Percentage (rate per annum) -----
greater than or equal to 2.20 to 1.00	0.500%
greater than or equal to 2.05 to 1.00 but less than 2.20 to 1.00	0.625%
greater than or equal to 1.90 to 1.00 but less than 2.05 to 1.00	0.750%
greater than or equal to 1.75 to 1.00 but less than 1.90 to 1.00	1.000%
less than 1.75 to 1.00	1.250%

Until the Borrower shall have delivered to the Administrative Agent a Compliance Certificate covering the four fiscal periods ending on the Saturday nearest April 30, 1997, the Fixed Charge Coverage Ratio shall be deemed to be 1.75 to 1.00. For each fiscal

quarter subsequent to the completion of four full fiscal quarters after the Acquisition, the Fixed Charge Coverage Ratio shall be computed based on the Compliance Certificate for such quarter. Any change in the Fixed Charge Coverage Ratio (and the Applicable Standby LC Percentage) shall be effective on the date on which the Compliance Certificate evidencing the computation of such Fixed Charge Coverage Ratio is delivered to the Administrative Agent; provided, however, that if the Compliance Certificate evidencing the computation of the Fixed Charge Coverage Ratio is not delivered on the date on which such Compliance Certificate is due to be delivered under Section 7.3.3, the Fixed Charge Coverage Ratio on and after the date on which such Compliance Certificate is due to be delivered under Section 7.3.3 and until the date on which such Compliance Certificate is delivered to the Administrative Agent shall be deemed to be less than 1.75 to 1.00 and the Applicable Standby LC Percentage for such period computed accordingly.

The Borrower shall also pay to the applicable Issuing Letter of Credit Bank for its sole account (i) a fronting fee as determined by such Issuing Letter of Credit Bank and the Borrower and (ii) such Issuing Letter of Credit Bank's then in effect customary issuance fees and administrative expense payable with respect to its Standby Letters of Credit as such Issuing Letter of Credit Bank may generally charge or incur from time to time in connection with the issuance, maintenance, modification (if any), assignment or transfer (if any), negotiation, and administration of standby letters of credit payable at such times as such Issuing Letter of Credit Bank may specify.

2.9.4 Disbursements, Reimbursement.

Borrower shall be obligated immediately to reimburse the applicable Issuing Letter of Credit Bank (each a "Reimbursement Obligation") for all amounts which such Issuing Letter of Credit Bank is required to pay pursuant to the Letters of Credit issued by such Issuing Letter of Credit Bank on or before the date on which the applicable Issuing Letter of Credit Bank is required to make payment with respect to a draft presented thereunder. The applicable Issuing Letter of Credit Bank will promptly notify (A) the Borrower of each demand or presentment for payment or other drawing under each Letter of Credit issued by such Issuing Letter of Credit Bank, and (B) the Administrative Agent of the amount required to be paid by such Issuing Letter of Credit Bank pursuant to each such Letter of Credit. The Administrative Agent shall promptly notify each Bank of the amount required to be paid by such Bank as a result of a drawing upon such Letter of Credit if the applicable Issuing Letter of Credit Bank shall have notified the Administrative Agent that the Borrower has not timely reimbursed such Issuing Letter of Credit Bank for such draw. If such notice is received by a Bank before 1:00 p.m., Columbus, Ohio time, such Bank shall deliver such Bank's Ratable Share of such payment in immediately available funds to the Administrative Agent on that Business Day. If such notice is received by a Bank after 1:00 p.m., Columbus, Ohio time, such Bank shall before 10:00 a.m., Columbus, Ohio time, on the next succeeding Business Day deliver to the Administrative Agent such Bank's Ratable Share of such payment as a Revolving Credit Loan from such Bank in immediately available funds. Upon receipt of each Bank's Ratable Share of such payment, the

Administrative Agent shall immediately deliver such Bank's Ratable Share of such payment to the applicable Issuing Letter of Credit Bank.

2.9.5 Documentation.

Each Loan Party agrees to be bound by the terms of each Issuing Letter of Credit Bank's application and agreement for letters of credit and each Issuing Letter of Credit Bank's written regulations and customary practices relating to letters of credit, though such interpretation may be different from such Loan Party's own. In the event of a conflict between such application or agreement and this Agreement, this Agreement shall govern (provided that terms of any Issuing Letter of Credit Bank's application and agreement for letters of credit which are in addition to those contained herein and which do not expressly conflict with the terms contained herein shall be deemed not to be in conflict with this Agreement). It is understood and agreed that, except in the case of gross negligence or willful misconduct, the applicable Issuing Letter of Credit Bank shall not be liable for any error, negligence and/or mistakes, whether of omission or commission, in following any Loan Party's instructions or those contained in the Letters of Credit issued by such Issuing Letter of Credit Bank or any modifications, amendments or supplements thereto;

2.9.6 Determinations to Honor Drawing Requests.

In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, the applicable Issuing Letter of Credit Bank shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit.

2.9.7 Nature of Participation and Reimbursement Obligations.

The obligation of the Banks to participate in Letters of Credit pursuant to Section 2.9.2 and the obligation of the Banks pursuant to Section 2.9.4 to fund Revolving Credit Loans upon a draw under a Letter of Credit or to acquire participations in Letters of Credit and the Obligations of the Borrower to reimburse the applicable Issuing Letter of Credit Bank upon a draw under any Letter of Credit pursuant to Section 2.9 shall be absolute unconditional and irrevocable, and shall be performed strictly in accordance with the terms of such sections under all circumstances, including the following circumstances:

- (i) the failure of any Loan Party or any other Person to comply with the conditions set forth in Sections 2.1, 2.5, 2.6 or 6.2 or as otherwise set forth in this Agreement for the making of a Revolving Credit Loan, it being acknowledged that such conditions are not required for the making of a Revolving Credit Loan under Section 2.9.4;

- (ii) any lack of validity or enforceability of any Letter of Credit;
- (iii) the existence of any claim, set-off, defense or other right which any Loan Party or any Bank may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), such Issuing Letter of Credit Bank or any Bank or any other Person or whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Loan Party or Subsidiaries of a Loan Party and the beneficiary for which any Letter of Credit was procured);
- (iv) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect even if such Issuing Letter of Credit Bank has been notified thereof;
- (v) payment by such Issuing Letter of Credit Bank under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;
- (vi) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Loan Party or Subsidiaries of a Loan Party;
- (vii) any breach of this Agreement or any other Loan Document by any party thereto;
- (viii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing;
- (ix) the fact that an Event of Default or a Potential Default shall have occurred and be continuing; and

- (x) the fact that the Expiration Date shall have passed or this Agreement or the Commitments hereunder shall have been terminated.

2.9.8 Indemnity.

In addition to amounts payable as provided in Section 9.5, the Borrower hereby agrees to pay and to protect, indemnify and save harmless each Issuing Letter of Credit Bank from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which such Issuing Letter of Credit Bank may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of any Letter of Credit, other than as a result of (A) the gross negligence or willful misconduct of such Issuing Letter of Credit Bank as determined by a final judgment of a court of competent jurisdiction or (B) subject to the following clause (ii), the wrongful dishonor by such Issuing Letter of Credit Bank of a proper demand for payment made under any Letter of Credit or (ii) the failure of such Issuing Letter of Credit Bank to honor a drawing under any such Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions herein called "Governmental Acts").

2.9.9 Liability for Acts and Omissions.

As between any Loan Party and each Issuing Letter of Credit Bank, such Loan Party assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of the Letters of Credit. In furtherance and not in limitation of the foregoing, the applicable Issuing Letter of Credit Bank shall not be responsible for: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any Letter of Credit issued by such Issuing Letter of Credit Bank, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if such Issuing Letter of Credit Bank shall have been notified thereof); (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) failure of the beneficiary of any such Letter of Credit to comply fully with any conditions required in order to draw upon such Letter of Credit; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of such Issuing Letter of Credit Bank, including any Governmental Acts, and none of the above shall affect or impair, or prevent the vesting of, any of such Issuing Letter of Credit Bank's rights or powers hereunder.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by any Issuing Letter of Credit Bank under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not put such Issuing Letter of Credit Bank under any resulting liability to the Borrower or any Banks.

The Banks and any Loan Party may not commence a proceeding against any Issuing Letter of Credit Bank for wrongful disbursement under a Letter of Credit issued by such Issuing Letter of Credit Bank as a result of acts or omissions constituting gross negligence or willful misconduct of such Issuing Letter of Credit Bank, until the Banks have made and the Borrower has repaid the Revolving Credit Loans described in Section 2.9.4; provided, however, that nothing in this Section 2.9 shall adversely affect the right of any Loan Party, after such payment, to commence any proceeding against such Issuing Letter of Credit Bank for any breach of its obligations hereunder.

2.10 Swing Loans.

2.10.1 Swing Loan Commitment.

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, and in order to facilitate loans and repayments in amounts of \$10,000,000 or less, the Swing Lender may, at its option, cancelable at any time for any reason whatsoever, make swing loans (the "Swing Loans") to the Borrower at any time or from time to time after the date hereof to, but not including, the Expiration Date, in an aggregate principal amount up to the Swing Loan Commitment, subject to reduction as provided herein and to be made in accordance with the following provisions. The Swing Lender may in its discretion make Swing Loans provided that the aggregate principal amount of the Swing Loans and the Revolving Credit Loans of all of the Banks at any one time outstanding plus the Letter of Credit Outstandings shall not exceed the Revolving Credit Commitments. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.10.

2.10.2 Swing Loan Requests.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request the Swing Lender to make Swing Loans by delivery to the Swing Lender not later than 12:00 p.m. Columbus, Ohio time on the proposed Borrowing Date of a duly completed request therefor substantially in the form of Exhibit 2.10.2 hereto or a request by telephone immediately confirmed in writing by letter, facsimile or telex (each, a "Swing Loan Request"), it being understood that the Swing Lender may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Swing Loan Request shall be irrevocable and shall specify the proposed Borrowing Date and the principal amount of such Swing Loan, which shall be not less than \$100,000 and in integral multiples of \$100,000.

2.10.3 Making of Swing Loans.

So long as the Swing Lender elects to make Swing Loans, the Swing Lender shall, after receipt by it of a Swing Loan Request pursuant to Section 2.10.2, fund a Swing Loan to the Borrower in U.S. Dollars and immediately available funds at its Principal Office prior to 2:00 p.m. Columbus, Ohio time on the related Borrowing Date.

2.10.4 Swing Note.

The obligation of the Borrower to repay the unpaid principal amount of the Swing Loans made to it by the Swing Lender together with interest thereon shall be evidenced by a demand promissory note of the Borrower dated the Closing Date in substantially the form attached hereto as Exhibit 1.1(S) payable to the order of the Swing Lender in a face amount equal to the Swing Loan Commitment.

2.10.5 Repayment of Swing Loans with Revolving Credit Loans Borrowings.

The Swing Lender may at its option, exercisable at any time for any reason whatsoever, and shall no later than the fifth (5th) Business Day following the making of a Swing Loan if the outstanding Swing Loans exceed \$5,000,000 on such date (a "Settlement Date"), demand repayment of all Swing Loans to the extent that the aggregate of such Swing Loans exceeds \$5,000,000, and each Bank shall make a Revolving Credit Loan in an amount equal to such Bank's Ratable Share of the aggregate principal amount of the outstanding Swing Loans in excess of \$5,000,000, plus, if the Swing Lender so requests, accrued interest thereon, provided that no Bank shall be obligated in any event to make Revolving Credit Loans in excess of its Commitment less its Ratable Share of Letter of Credit Outstandings. In that event, such Revolving Credit Loans shall bear interest at the Base Rate Option and shall be deemed to have been properly requested in accordance with Section 2.5 without regard to any of the requirements of that provision. The Swing Lender shall provide notice to the Administrative Agent (which may be a telephonic or written notice by letter, facsimile or telex) that such Revolving Credit Loans are to be made under this Section 2.10.5; the Administrative Agent shall then provide notice to the Banks (which may be a telephonic or written notice by letter, facsimile or telex) that such Revolving Credit Loans are to be made under this Section 2.10.5 and of the apportionment among the Banks, the Banks shall be unconditionally obligated to fund such Revolving Credit Loans (whether or not the conditions specified in Section 6.2 are then satisfied) by the time the Administrative Agent so requests, which shall not be earlier than 2:00 p.m. Columbus, Ohio, time on the Business Day next succeeding the date the Banks receive such notice from the Administrative Agent; and the Administrative Agent shall promptly deliver the funds it receives from the Banks to the Swing Lender.

2.11 Expiration Date; Extension of Expiration Date.

The term "Expiration Date" shall mean May 1, 1998; provided, however, that if the closing of the Acquisition shall not have occurred prior to 12:01 a.m. on May 8, 1996, then the Expiration Date shall be May 2, 1997; and provided, further, however, that (i) if the closing of the Acquisition shall have occurred prior to 12:01 a.m. on May 8, 1996 and (ii) if on or before April 30, 1998 the Company shall have sold since the date hereof capital stock or other equity interests in the Company that are not mandatorily redeemable at the option of the holder of such capital stock or other equity interest and (iii) if the net cash proceeds from such sales less any sums paid or owing by the Borrower since the date hereof with respect to the redemption, repurchase or other retirement or cancellation of any of its capital stock or other equity interests equals or exceeds \$100,000,000 and the Subordinated Bridge Financing has been terminated and any sums borrowed thereunder have been repaid and not refunded with other subordinated borrowings, then the Expiration Date shall mean May 3, 1999.

3. INTEREST RATES

3.1 Interest Rate Options.

The Borrower shall pay interest in respect of the outstanding unpaid principal amount of the Revolving Credit Loans as selected by it from the Revolving Credit Base Rate Option or Revolving Credit Euro-Rate Option set forth below applicable to the Revolving Credit Loans, it being understood that, subject to the provisions of this Agreement, the Borrower may select different Interest Rate Options and different Interest Periods to apply simultaneously to the Revolving Credit Loans comprising different Borrowing Tranches and may convert to or renew one or more Interest Rate Options with respect to all or any portion of the Revolving Credit Loans comprising any Borrowing Tranche, provided that there shall not be at any one time outstanding more than seven (7) Borrowing Tranches in the aggregate among all the Revolving Credit Loans. If at any time the designated rate applicable to any Revolving Credit Loan made by any Bank exceeds such Bank's highest lawful rate, the rate of interest on such Bank's Revolving Credit Loan shall be limited to such Bank's highest lawful rate.

3.1.1 Revolving Credit Interest Rate Options.

The Borrower shall have the right to select from the following Interest Rate Options applicable to the Revolving Credit Loans:

- (i) Revolving Credit Base Rate Option: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate, such interest rate to change automatically from time to time effective as

of the effective date of each change in the Base Rate;

- (ii) Revolving Credit Euro-Rate Option: A rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the Euro-Rate plus a percentage rate per annum (the "Revolving Credit Euro-Rate Spread") based on the Fixed Charge Coverage Ratio, determined as follows:

Fixed Charge Coverage Ratio

Revolving Credit Euro-Rate Spread

greater than or equal to 2.20 to 1.00	0.500%
greater than or equal to 2.05 to 1.00 but less than 2.20 to 1.00	0.625%
greater than or equal to 1.90 to 1.00 but less than 2.05 to 1.00	0.750%
greater than or equal to 1.75 to 1.00 but less than 1.90 to 1.00	1.000%
less than 1.75 to 1.00	1.250%

Until the Borrower shall have delivered to the Administrative Agent a Compliance Certificate covering the four fiscal periods ending on the Saturday nearest April 30, 1997, the Fixed Charge Coverage Ratio shall be deemed to be 1.75 to 1.00. For each fiscal quarter subsequent to the completion of four full fiscal quarters after the Acquisition, the Fixed Charge Coverage Ratio shall be computed based on the Compliance Certificate for such quarter. Any change in the Fixed Charge Coverage Ratio (and the applicable Revolving Credit Euro-Rate Spread) shall be effective on the date on which the Compliance Certificate evidencing the computation of such Fixed Charge Coverage Ratio is delivered to the Administrative Agent; provided, however, that if the Compliance Certificate evidencing the computation of the Fixed Charge Coverage Ratio is not delivered on the date on which such Compliance Certificate is due to be delivered under Section 7.3.3, the Fixed Charge Coverage Ratio on and after the date on which such Compliance Certificate is due to be delivered under Section 7.3.3 and until the date on which such Compliance Certificate is delivered to the Administrative Agent shall be deemed to be less than 1.75 to 1.00 and the applicable Revolving Credit Euro-Rate Spread for such period computed accordingly.

Swing Loans shall bear interest in accordance with Section 3.1.1(i) [Revolving Credit Base Rate Option] except to the extent that the Swing Lender agrees in writing to a different rate of interest; provided, however, that any Swing Loans with respect to which the

Swing Lender demands payment pursuant to Section 2.10.5 shall bear interest on and after such demand for payment in accordance with Section 3.1.1(i) [Revolving Credit Base Rate Option] notwithstanding any other interest rate agreed to by the Administrative Agent.

3.2 Interest Periods.

At any time when the Borrower shall select, convert to or renew a Revolving Credit Euro-Rate Option, the Borrower shall notify the Administrative Agent thereof at least three (3) Business Days prior to the effective date of such Revolving Credit Euro-Rate Option by delivering a Loan Request. Such notice shall specify an interest period (the "Interest Period") during which such Interest Rate Option shall apply, such Interest Period to be one, two, three or six Months, provided, that:

3.2.1 Ending Date and Business Day.

Any Interest Period which would otherwise end on a date which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day;

3.2.2 Amount of Borrowing Tranche.

Each Borrowing Tranche of a Revolving Credit Loan to which the Revolving Credit Euro-Rate Option applies shall be in integral multiples of \$1,000,000 and not less than \$5,000,000;

3.2.3 Termination Before Expiration Date.

The Borrower shall not select, convert to or renew an Interest Period for any portion of the Revolving Credit Loans that would end after the Expiration Date; and

3.2.4 Renewals.

In the case of the renewal of a Revolving Credit Euro-Rate Option at the end of an Interest Period, the first day of the new Interest Period shall be the last day of the preceding Interest Period, without duplication in payment of interest for such day.

3.2.5 Limitation on Interest Periods during Syndication.

The Borrower shall select only one month Interest Periods for Revolving Credit Loans to which the Revolving Credit Euro-Rate Option applies which are borrowed prior to the earliest of the following dates: (i) the date on which the Revolving Credit Commitment of each of the Managing Agents is equal to or less than \$50,000,000, (ii) the date which is one hundred and twenty (120) days after the Closing Date, or (iii) the date on which the Borrower abandons the Acquisition without a closing thereof.

3.3 Interest After Default.

To the extent permitted by Law, upon the occurrence of an Event of Default and until such time such Event of Default shall have been cured or waived:

3.3.1 Letter of Credit Fees, Interest Rate.

The Letter of Credit Fees and the rate of interest for each Revolving Credit Loan otherwise applicable pursuant to Section 2.9 or Section 3.1, respectively, shall be increased by 2.0% per annum;

3.3.2 Other Obligations.

Each other Obligation hereunder if not paid when due shall bear interest at a rate per annum equal to the sum of the rate of interest applicable under the Revolving Credit Base Rate Option plus an additional 2.0% per annum from the time such Obligation becomes due and payable and until it is paid in full; and

3.3.3 Acknowledgment.

The Borrower acknowledges that the increased rates referred to in this Section 3.3 reflect, among other things, the fact that such Revolving Credit Loans or other amounts have become a substantially greater risk given their default status and that the Banks are entitled to additional compensation for such risk. All such interest shall be payable by Borrower upon demand by the Administrative Agent.

3.4 Euro-Rate Unascertainable.

3.4.1 Unascertainable.

If on any date on which a Euro-Rate would otherwise be determined, the Administrative Agent shall have determined that:

- (i) adequate and reasonable means do not exist for ascertaining such Euro-Rate, or
- (ii) a contingency has occurred which materially and adversely affects the London interbank eurodollar market relating to the Euro-Rate,

then the Administrative Agent shall have the rights specified in Section 3.4.3.

3.4.2 Illegality; Increased Costs; Deposits Not Available.

If at any time any Bank shall have determined that:

- (i) the making, maintenance or funding of any Revolving Credit Loan to which a Revolving Credit Euro-Rate Option applies has been made impracticable or unlawful by compliance by such Bank in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any Official Body (whether or not having the force of Law), or
- (ii) such Revolving Credit Euro-Rate Option will not adequately and fairly reflect the cost to such Bank of the establishment or maintenance of any such Revolving Credit Loan, or
- (iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a Revolving Credit Loan to which a Revolving Credit Euro-Rate Option applies, are not available to such Bank with respect to such Revolving Credit Loan in the London interbank market,

then such Bank shall have the rights specified in Section 3.4.3.

3.4.3 Administrative Agent's and Bank's Rights.

In the case of any event specified in Section 3.4.1, the Administrative Agent shall promptly so notify the Banks and the Borrower thereof, and in the case of a determination specified in Section 3.4.2, such Bank shall promptly so notify the Administrative Agent and endorse a certificate to such notice as to the specific circumstances of such notice, and the Administrative Agent shall promptly send copies of such notice and certificate to the other Banks and the Borrower. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given) the obligation of (A) the Banks, in the case of such notice given by the Administrative Agent in respect of Section 3.4.1, or (B) such Bank, in the case of such notice given by such Bank in respect of Section 3.4.2, to allow the Borrower to select, convert to or renew a Revolving Credit Euro-Rate Option shall be suspended until the Administrative Agent shall have later notified the Borrower, or such Bank shall have later notified the Administrative Agent, of the Administrative Agent's or such Bank's, as the case may be, determination that the circumstances giving rise to such previous determination no longer exist. If at any time the Administrative Agent makes a determination under Section 3.4.1 and the Borrower has previously notified the Administrative Agent of its selection of, conversion to or renewal of a Revolving Credit Euro-Rate Option and such Interest Rate Option has not yet gone

into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Revolving Credit Base Rate Option otherwise available with respect to the affected Revolving Credit Loans. If any Bank notifies the Administrative Agent of a determination under Section 3.4.2, the Borrower shall, subject to the Borrower's indemnification Obligations under Section 4.6.2, as to any Revolving Credit Loan of such Bank to which a Revolving Credit Euro-Rate Option applies, on the date specified in such notice convert such Revolving Credit Loan to the Revolving Credit Base Rate Option otherwise available with respect to such Revolving Credit Loan. Absent due notice from the Borrower of conversion, such Revolving Credit Loan shall automatically be converted to the Revolving Credit Base Rate Option otherwise available with respect to such Revolving Credit Loan upon such specified date. Upon any such conversion, the Borrower shall have the right to prepay Revolving Credit Loans in the amount of such Revolving Credit Loan on the date of such conversion without providing the notice otherwise required by Section 4.4.1.

3.5 Selection of Interest Rate Options.

If the Borrower fails to select a new Interest Period to apply to any Borrowing Tranche to which a Revolving Credit Euro-Rate Option applies at the expiration of an existing Interest Period applicable to such Borrowing Tranche in accordance with the provisions of Section 3.2, the Borrower shall be deemed to have converted such Borrowing Tranche to the Revolving Credit Base Rate Option commencing upon the last day of such Interest Period.

4. PAYMENTS

4.1 Payments.

All payments and prepayments to be made in respect of principal, interest, Commitment Fees, Letters of Credit Fees, the Administrative Agent's Fee, or other amounts due from the Borrower hereunder (other than the fees and expenses referenced in Section 2.9.3.1 and Section 2.9.3.2 which are to be paid to the Issuing Letter of Credit Bank as provided in such sections and the fees and expenses referenced in Section 9.15, each of which shall be paid in accordance with such sections) shall be payable prior to 11:00 a.m., Columbus, Ohio time, on the date when due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower, and without set-off, counterclaim or other deduction of any nature, and an action therefor shall immediately accrue. Payments of principal and interest on Revolving Credit Loans and of Commitment Fees and Letters of Credit Fees shall be made to the Administrative Agent at the Principal Office for the ratable accounts of the Banks in Dollars and in immediately available funds, and the Administrative Agent shall promptly distribute such amounts to the Banks in immediately available funds. The Administrative Agent's and each Bank's statement of account, ledger or other relevant record shall, in the absence of manifest error, be conclusive as the statement of the amount of principal of and interest on the Revolving Credit Loans and other amounts owing under this Agreement and shall be deemed an "account stated."

4.2 Pro Rata Treatment of Banks.

Each borrowing of a Revolving Credit Loan shall be allocated to each Bank according to its Ratable Share, and each selection of, conversion to or renewal of any Interest Rate Option and each payment or prepayment by the Borrower with respect to principal, interest, Commitment Fees, Letters of Credit Fees, or other fees (except for the Administrative Agent's Fee, the Managing Agents' fees, fees owing to PNC Securities Corp and any Issuing Letter of Credit Bank's fees) or amounts due from the Borrower hereunder to the Banks with respect to the Revolving Credit Loans, shall (except as provided in Section 3.4.2 [Illegality, Increased Costs; Deposits not Available], 4.4 [Voluntary Prepayments] or 4.6 [Additional Compensation in Certain Circumstances]) be made in proportion to the applicable Revolving Credit Loans outstanding from each Bank and, if no such Revolving Credit Loans are then outstanding, in proportion to the Ratable Share of each Bank.

4.3 Interest Payment Dates.

Interest on Revolving Credit Loans to which the Revolving Credit Base Rate Option applies and on Swing Loans shall be due and payable in arrears on the first Business Day of each March, June, September and December after the date hereof and on the Expiration Date or upon acceleration of the Revolving Credit Notes. Interest on Revolving Credit Loans to which the Revolving Credit Euro-Rate Option applies shall be due and payable on the last day of each Interest Period for those Revolving Credit Loans and, if any such Interest Period is longer than three Months, also on the last day of every third Month during such Interest Period. Without limitation on Section 4.4.1 interest on mandatory prepayments of principal under Section 4.5 shall be due on the date such mandatory prepayment is due. Interest on the principal amount of each Revolving Credit Loan or other monetary Obligation shall be due and payable on demand after such principal amount or other monetary Obligation becomes due and payable (whether on the stated maturity date, upon acceleration or otherwise).

4.4 Voluntary Prepayments.

4.4.1 Right to Prepay.

The Borrower shall have the right at its option from time to time to prepay the Revolving Credit Loans and Swing Loans in whole or part without premium or penalty (except as provided in Section 4.6):

- (i) at any time with respect to any Revolving Credit Loan to which the Revolving Credit Base Rate Option applies or with respect to any Swing Loan,
- (ii) on the last day of the applicable Interest Period with respect to Revolving Credit Loans to which a Revolving Credit Euro-Rate Option applies, and

(iii) on the date specified in a notice by any Bank pursuant to Section 3.4.2 [Euro-Rate Unascertainable] with respect to any Revolving Credit Loan to which a Revolving Credit Euro-Rate Option applies.

Whenever the Borrower desires to prepay any part of the Revolving Credit Loans, it shall provide a prepayment notice to the Administrative Agent not later than noon, Columbus, Ohio time on the Business Day prior to the date of prepayment of Revolving Credit Loans setting forth the following information (provided no notice from Borrower is required pursuant to subsection (iii) above):

(x) the date, which shall be a Business Day, on which the proposed prepayment is to be made;

(y) a statement indicating the application of the prepayment to the Revolving Credit Loans or Swing Loans; and

(z) the total principal amount of such prepayment, which shall not be less than \$1,000,000.

All prepayment notices shall be irrevocable. The principal amount of the Revolving Credit Loans and Swing Loans for which a prepayment notice is given, together with interest on such principal amount except with respect to Revolving Credit Loans to which the Revolving Credit Base Rate Option applies, shall be due and payable on the date specified in such prepayment notice as the date on which the proposed prepayment is to be made. If the Borrower prepays a Revolving Credit Loan pursuant to this section or prepays a Revolving Credit Loan pursuant to Section 4.5 but fails to specify the applicable Borrowing Tranche which the Borrower is prepaying, the prepayment shall be applied first to Revolving Credit Loans to which the Revolving Credit Base Rate Option applies, then to Revolving Credit Loans to which the Revolving Credit Euro-Rate Option applies. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Banks under Section 4.6.2.

4.5 Mandatory Prepayments.

4.5.1 Sale of Assets.

Within five (5) Business Days of any sale of assets authorized by Section 7.2.7(iv), the Borrower shall make a mandatory prepayment of principal on the Revolving Credit Loans (together with accrued interest on such principal amount) equal to the lesser of (i) the extent that the aggregate after-tax net cash proceeds (including without limitation cash, as and when collected, pursuant to any notes or other securities received as consideration for such sale, transfer or lease), as reasonably estimated by the Borrower, of all such sales, transfers or leases on and after the date hereof are in excess of \$ 25,000,000 or (ii) the amount of

the outstanding Revolving Credit Loans and the Revolving Credit Commitment of each of the Banks shall each be reduced as provided in Section 2.4.2(i);

4.5.2 Prepayment from Proceeds of Equity or Subordinated Bridge Facility.

On June 15, 1996, the Borrower shall prepay the lesser of all outstanding Revolving Credit Loans or \$100,000,000 from the proceeds of either (i) the sale by the Company of its capital stock after the date hereof or (ii) the Company's borrowing under the Subordinated Bridge Facility; provided, however, that if in the reasonable discretion of the Managing Agents the sale referred to in (i) above is near completion, such prepayment shall be made on June 30, 1996. There shall be no reduction in the Revolving Credit Commitments in connection with these prepayments;

4.5.3 Payment to Reduce Revolving Credit Loans Made Pursuant to Section 2.9.4

In the event that the Banks have made Revolving Credit Loans to reimburse an Issuing Letter of Credit Bank with respect to disbursements under Letters of Credit that have not been reimbursed by the Borrower pursuant to Section 2.9.4 and the then Revolving Credit Loans exceed the lesser of (i) \$450,000,000 or (ii) the Revolving Credit Commitments, the Borrower shall immediately pay to the Banks an amount which would reduce the Revolving Credit Loans to an amount which does not exceed the lesser of (i) \$450,000,000 or (ii) the Revolving Credit Commitments. There shall be no reduction in the Revolving Credit Commitments in connection with these prepayments;

4.5.4 Payment to Reduce Revolving Credit Loans if Commitments are Reduced Pursuant to Section 2.4.2(ii)

In the event that the Commitments are permanently reduced pursuant to Section 2.4.2(ii), the Borrower shall immediately make a mandatory prepayment of principal on the Revolving Credit Loans to the extent that the Revolving Facility Usage exceeds the Commitments; and;

4.5.5 Application Among Interest Rate Options.

Unless the Borrower otherwise specifies in writing to the Administrative Agent prior to or simultaneously with such prepayment (in which case the funds shall be so applied) all prepayments required pursuant to this Section 4.5 shall first be applied among the Interest Rate Options to the principal amount of the Revolving Credit Loans subject to the Revolving Credit Base Rate Option, and then to Revolving Credit Loans subject to a Revolving Credit Euro-Rate Option. In accordance with Section 4.6.2, the Borrower shall indemnify the Banks for any loss or expense, including loss of margin, incurred with respect to any such

prepayments applied against Revolving Credit Loans subject to a Revolving Credit Euro-Rate Option on any day other than the last day of the applicable Interest Period.

4.6 Additional Compensation in Certain Circumstances.

4.6.1 Increased Costs or Reduced Return Resulting From Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc.

If any Law, guideline or interpretation or any change in any Law, guideline or interpretation or application thereof by any Official Body charged with the interpretation or administration thereof or compliance with any request or directive (whether or not having the force of Law) of any central bank or other Official Body:

- (i) subjects any Bank to any tax or changes the basis of taxation with respect to this Agreement, the Revolving Credit Notes, the Revolving Credit Loans or payments by the Borrower of principal, interest, Commitment Fees, or other amounts due from the Borrower hereunder or under the Revolving Credit Notes (except for taxes on the overall net income of such Bank),
- (ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, any Bank, or
- (iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or letters of credit, other credits or commitments to extend credit extended by, any Bank, or (B) otherwise applicable to the obligations of any Bank under this Agreement,

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon any Bank with respect to this Agreement, the Revolving Credit Notes or the making, maintenance or funding of any part of the Revolving Credit Loans (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on any Bank's capital, taking into consideration such Bank's customary policies with respect to capital adequacy) by an amount which such Bank in its sole discretion deems to be material, such Bank shall from time to time notify the Borrower and the Administrative Agent of the amount determined in good faith (using any averaging and

attribution methods employed in good faith and shall be binding upon the parties absent manifest error) by such Bank to be necessary to compensate such Bank for such increase in cost, reduction of income or additional expense or reduced rates of return. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank ten (10) Business Days after such notice is given.

4.6.2 Indemnity.

In addition to the compensation required by Section 4.6.1 , the Borrower shall indemnify each Bank against all liabilities, losses or expenses (including loss of margin, any loss or expense incurred in liquidating or employing deposits from third parties and any loss or expense incurred in connection with funds acquired by a Bank to fund or maintain Revolving Credit Loans subject to a Revolving Credit Euro-Rate Option) which such Bank sustains or incurs as a consequence of any

- (i) payment, prepayment, conversion or renewal of any Revolving Credit Loan to which a Revolving Credit Euro-Rate Option applies on a day other than the last day of the corresponding Interest Period (whether or not such payment or prepayment is mandatory, voluntary or automatic and whether or not such payment or prepayment is then due),
- (ii) attempt by the Borrower to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any Loan Requests under Section 2.5 or any notice relating to prepayments under Section 4.4, or
- (iii) default by the Borrower in the performance or observance of any covenant or condition contained in this Agreement or any other Loan Document, including any failure of the Borrower to pay when due (by acceleration or otherwise) any principal, interest, Commitment Fee or any other amount due hereunder.

If any Bank sustains or incurs any such loss or expense, it shall from time to time notify the Borrower of the amount determined in good faith by such Bank (which determination may include such assumptions, allocations of costs and expenses and averaging or attribution methods as such Bank shall deem reasonable and shall be binding on the parties absent manifest error) to be necessary to indemnify such Bank for such loss or expense. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank ten (10) Business Days after such notice is given.

5. REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties.

The Borrower represents and warrants to the Documentation Agent, the Administrative Agent, the Syndication Agent, the Managing Agents, the Issuing Letter of Credit Banks and each of the Banks as follows:

5.1.1 Organization and Qualification.

Each Loan Party and each Subsidiary of any Loan Party is a corporation or partnership, duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Each Loan Party and each Subsidiary of any Loan Party has the lawful power to own or lease its properties and to engage in the business it presently conducts or proposes to conduct. Each Loan Party and each Subsidiary of any Loan Party is listed on Schedule 5.1.1 and duly licensed or qualified and in good standing in each jurisdiction where the property owned or leased by it or the nature of the business transacted by it or both makes such licensing or qualification necessary (except where the failure to be so licensed or qualified would not constitute a Material Adverse Change), and upon request of the Administrative Agent, the Borrower will promptly furnish a written list of every jurisdiction where each Subsidiary and Loan Party is so qualified.

5.1.2 Capitalization and Ownership.

The authorized capital stock of the Company consists of 90 million authorized shares of voting common stock, 48,044,742 of which were outstanding as of April 12, 1996 (referred to herein as the "Shares"); 8 million authorized shares of non-voting common stock, none of which are outstanding; and 2 million authorized shares of preferred stock, none of which are outstanding. All of the Shares have been validly issued and are fully paid and nonassessable.

5.1.3 Subsidiary Matters.

Other than as set forth on Schedule 5.1.3, each of the Company's Subsidiaries is directly or indirectly wholly owned by the Company and all of the issued and outstanding shares of capital stock of each such Subsidiary (referred to herein as the "Subsidiary Shares") are owned free and clear in each case of any Lien. All Subsidiary Shares have been validly issued, and all Subsidiary Shares are fully paid and nonassessable. There are no options, warrants or other rights outstanding to purchase any Subsidiary Shares except as indicated on Schedule 5.1.3.

5.1.4 Power and Authority.

Each Loan Party has full power to enter into, execute, deliver and carry out this Agreement and the other Loan Documents to which it is a party, to incur the Indebtedness contemplated by the Loan Documents and to perform its Obligations under the Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part.

5.1.5 Validity and Binding Effect.

This Agreement has been duly and validly executed and delivered by each Loan Party, and each other Loan Document which any Loan Party is required to execute and deliver on or after the date hereof will have been duly executed and delivered by such Loan Party on the required date of delivery of such Loan Document. This Agreement and each other Loan Document constitutes, or will constitute, legal, valid and binding obligations of each Loan Party which is or will be a party thereto on and after its date of delivery thereof, enforceable against such Loan Party in accordance with its terms, except to the extent that enforceability of any such Loan Document may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance.

5.1.6 No Conflict.

Neither the execution and delivery of this Agreement or the other Loan Documents by any Loan Party nor the consummation of the transactions herein or therein contemplated or compliance with the terms and provisions hereof or thereof by any of them will conflict with, constitute a default under or result in any breach of (i) the terms and conditions of the certificate of incorporation, bylaws or other organizational documents of any Loan Party or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which any Loan Party or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or to which it or any of its Subsidiaries is subject, or result in the creation or enforcement of any Lien whatsoever upon any property (now or hereafter acquired) of any Loan Party or any of its Subsidiaries (other than Liens granted under the Loan Documents).

5.1.7 Litigation.

There are no actions, suits, proceedings or investigations pending or, to the knowledge of any Loan Party, threatened against such Loan Party or any Subsidiary of any Loan Party at law or equity before any Official Body which individually or in the aggregate may result in any Material Adverse Change. None of the Loan Parties or any Subsidiaries of any Loan Party is in violation of any order, writ, injunction or any decree of any Official Body which may result in any Material Adverse Change.

5.1.8 Title to Properties.

Each Loan Party and each Subsidiary of any Loan Party has good and marketable title to or a valid leasehold interest in all properties, assets and other rights which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all Liens except Permitted Liens, and subject to the terms and conditions of the applicable leases. All leases of property are in full force and effect without the necessity for any consent which has not previously been obtained upon consummation of the transactions contemplated hereby.

5.1.9 Financial Statements.

- (i) Historical Statements. The Company has delivered to the Administrative Agent copies of its audited consolidated year-end financial statements for and as of the end of the three fiscal years ended February 3, 1996 (the "Annual Statements" and the Annual Statements are sometimes collectively referred to as the "Historical Statements"). The Historical Statements were compiled from the books and records maintained by the Company's management, are correct and complete and fairly represent the consolidated financial condition of the Company and its Subsidiaries as of their dates and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied;
- (ii) Financial Projections. The Company has delivered to the Administrative Agent financial projections of the Company and its Subsidiaries for fiscal years 1997, 1998 and 1999 derived from various assumptions of the Company's management (the "Financial Projections"). The Financial Projections reflect the reasonable expectations of the Company's management as of the Closing Date in light of the history of the business, present and foreseeable conditions and intentions of the Company's management, all based on the assumptions thereto. The Financial Projections accurately reflect the liabilities of the Company and its Subsidiaries incurred pursuant to the Loan

Documents upon consummation of the transactions contemplated hereby as of the Closing Date; and

- (iii) Accuracy of Financial Statements. Neither the Company nor any Subsidiary of the Company has any material liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the Historical Statements or in the notes thereto, and except as disclosed therein there are no unrealized or anticipated losses from any commitments of the Company or any Subsidiary of the Company which may cause a Material Adverse Change. Since February 3, 1996, no Material Adverse Change has occurred.

5.1.10 Margin Stock.

None of the Loan Parties or any Subsidiaries of any Loan Party engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U). No part of the proceeds of any Revolving Credit Loan or issued Letter of Credit has been or will be used, immediately, incidentally or ultimately, to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or to refund Indebtedness originally incurred for such purpose, or for any purpose which entails a violation of or which is inconsistent with the provisions of the regulations of the Board of Governors of the Federal Reserve System. None of the Loan Parties or any Subsidiary of any Loan Party holds or intends to hold margin stock in such amounts that more than 25% of the reasonable value of the assets of any Loan Party or Subsidiary of any Loan Party are or will be represented by margin stock.

5.1.11 Full Disclosure.

Neither this Agreement nor any other Loan Document, nor any certificate, statement, agreement or other documents furnished to the Documentation Agent, the Administrative Agent, the Syndication Agent, the Managing Agents, the Issuing Letter of Credit Banks or any Bank in connection herewith or therewith, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading. There is no fact known to any Loan Party which materially adversely affects the business, property, assets, financial condition, results of operations or prospects of any Loan Party or Subsidiary of any Loan Party which has not been set forth in this Agreement or in the certificates, statements, agreements or other documents furnished in writing to the Documentation Agent, the Administrative Agent, the Syndication Agent, the Managing Agents,

the Issuing Letter of Credit Banks and the Banks prior to or at the date hereof in connection with the transactions contemplated hereby.

5.1.12 Taxes.

All federal, state, local and other tax returns required to have been filed with respect to each Loan Party and each Subsidiary of any Loan Party have been filed, and payment or adequate provision has been made for the payment of all taxes, fees, assessments and other governmental charges shown to be owing pursuant to said returns or to assessments received, except to the extent that such taxes, fees, assessments and other charges are being contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made. There are no agreements or waivers extending the statutory period of limitations applicable to any federal income tax return of any Loan Party or Subsidiary of any Loan Party for any period.

5.1.13 Consents and Approvals.

No consent, approval, exemption, order or authorization of, or a registration or filing with, any Official Body or any other Person is required by any Law or any agreement in connection with the execution, delivery and carrying out of this Agreement and the other Loan Documents by any Loan Party, except as listed on Schedule 5.1.13, all of which shall have been obtained or made on or prior to the Closing Date except as otherwise indicated on Schedule 5.1.13.

5.1.14 No Event of Default; Compliance with Instruments.

No event has occurred and is continuing and no condition exists now or will exist after giving effect to and as a result of the extensions of credit to be made on the Closing Date under the Loan Documents which constitutes an Event of Default or Potential Default. None of the Loan Parties or any Subsidiaries of any Loan Party is in violation of (i) any term of its certificate of incorporation, bylaws, or other organizational documents or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties may be subject or bound where such violation would constitute a Material Adverse Change.

5.1.15 Patents, Trademarks, Copyrights, Licenses, Etc.

A Loan Party or a Subsidiary of a Loan Party owns or possesses all the material patents, trademarks, service marks, trade names, copyrights, licenses, registrations, franchises, permits and rights necessary to own and operate its properties and to carry on its business as presently conducted and planned to be conducted by the Borrower and its Subsidiaries taken as a whole, without known conflict by, or with the rights of, others.

5.1.16 Insurance.

The Borrower has delivered to the Administrative Agent a true and correct listing of the property and general liability insurance of the Borrower. No notice has been given or claim made and no grounds exist to cancel or avoid any of such policies or bonds or to reduce the coverage provided thereby. Such policies and bonds provide adequate coverage from reputable and financially sound insurers in amounts sufficient to insure the assets and risks of each Loan Party and each Subsidiary of any Loan Party in accordance with prudent business practice in the industry of the Loan Parties and their Subsidiaries.

5.1.17 Compliance with Laws.

The Loan Parties and their Subsidiaries are in compliance in all material respects with all applicable Laws (other than Environmental Laws which are specifically addressed in Section 5.1.22) in all jurisdictions in which any Loan Party or Subsidiary of any Loan Party is presently or currently anticipates it will be doing business except where the failure to do so would not constitute a Material Adverse Change.

5.1.18 Material Contracts.

Schedule 5.1.18 lists all material contracts relating to the business operations of each Loan Party and each Subsidiary of any Loan Party, including all employee benefit plans and Labor Contracts. All such material contracts are valid, binding and enforceable upon such Loan Party or Subsidiary and each of the other parties thereto in accordance with their respective terms, and there is no default thereunder, to the Loan Parties' knowledge, with respect to parties other than such Loan Party or Subsidiary. For purposes of this Section 5.1.18 the term "material contracts" shall mean those contracts or other agreements which the Company would be required to file with the Securities and Exchange Commission pursuant to item 601(a)(10) of Regulation S-K promulgated under the Securities Act of 1933 and the Securities Exchange Act of 1934.

5.1.19 Investment Companies.

None of the Loan Parties or any Subsidiaries of any Loan Party is an "investment company" registered or required to be registered under the Investment Company Act of 1940 or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940 and shall not become such an "investment company" or under such "control".

5.1.20 Plans and Benefit Arrangements.

Except as set forth on Schedule 5.1.20:

- (i) The Company and each other member of the ERISA Group are in compliance in all material respects with any applicable provisions of ERISA with respect to all Benefit Arrangements, Plans and Multiemployer Plans. There has been no Prohibited Transaction with respect to any Benefit Arrangement or any Plan or, to the best knowledge of the Company, with respect to any Multiemployer Plan or Multiple Employer Plan, which could result in any material liability of the Company or any other member of the ERISA Group. The Company and all other members of the ERISA Group have made when due any and all payments required to be made under any agreement relating to a Multiemployer Plan or a Multiple Employer Plan or any Law pertaining thereto. With respect to each Plan and Multiemployer Plan, the Company and each other member of the ERISA Group (i) have fulfilled in all material respects their obligations under the minimum funding standards of ERISA, (ii) have not incurred any liability to the PBGC, and (iii) have not had asserted against them any penalty for failure to fulfill the minimum funding requirements of ERISA;
- (ii) To the best of each Loan Parties' knowledge, each Multiemployer Plan and Multiple Employer Plan is able to pay benefits thereunder when due;
- (iii) Neither the Company nor any other member of the ERISA Group has instituted or intends to institute proceedings to terminate any Plan;
- (iv) No event requiring notice to the PBGC under Section 302(f)(4)(A) of ERISA has occurred or is reasonably expected to occur with respect to any Plan, and no amendment with respect to which security is required under Section 307 of ERISA has been made or is reasonably expected to be made to any Plan;
- (v) The aggregate accumulated benefit obligations determined in accordance with GAAP as of the end

of the most recent calendar year for all Plans does not exceed by more than \$8 million the fair market value of all assets of the Plans;

- (vi) Neither the Company nor any other member of the ERISA Group has incurred or reasonably expects to incur any material withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Company nor any other member of the ERISA Group has been notified by any Multiemployer Plan or Multiple Employer Plan that such Multiemployer Plan or Multiple Employer Plan has been terminated within the meaning of Title IV of ERISA and, to the best knowledge of the Company, no Multiemployer Plan or Multiple Employer Plan is reasonably expected to be reorganized or terminated, within the meaning of Title IV of ERISA;
- (vii) To the extent that any Benefit Arrangement is insured, the Company and all other members of the ERISA Group have paid when due all premiums required to be paid for all periods through the Closing Date. To the extent that any Benefit Arrangement is funded other than with insurance, the Company and all other members of the ERISA Group have made when due all contributions required to be paid for all periods through the Closing Date; and
- (viii) All Plans, Benefit Arrangements and Multiemployer Plans have been administered in accordance with their terms and applicable Law.

5.1.21 Employment Matters.

Each of the Loan Parties and each of their Subsidiaries is in compliance with the Labor Contracts and all applicable federal, state and local labor and employment Laws including those related to equal employment opportunity and affirmative action, labor relations, minimum wage, overtime, child labor, medical insurance continuation, worker adjustment and relocation notices, immigration controls and worker and unemployment compensation, where the failure to comply would constitute a Material Adverse Change. There are no outstanding grievances, arbitration awards or appeals therefrom arising out of the Labor Contracts or current

or threatened strikes, picketing, handbilling or other work stoppages or slowdowns at facilities of any of the Loan Parties or any of their Subsidiaries which in any case would constitute a Material Adverse Change.

5.1.22 Environmental Matters.

Except as disclosed on Schedule 5.1.22:

- (i) Except for notices which could reasonably relate to a Material Adverse Change, none of the Loan Parties or any Subsidiaries of any Loan Party has received any Environmental Complaint from any Official Body or private Person alleging that such Loan Party or Subsidiary or any prior or subsequent owner of any Property is a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., and none of the Loan Parties has any reason to believe that such an Environmental Complaint might be received. There are no pending or, to any Loan Party's knowledge, threatened Environmental Complaints relating to any Loan Party or any Subsidiary of any Loan Party or, to any Loan Party's knowledge, any prior or subsequent owner of any Property pertaining to, or arising out of, any Environmental Conditions which could reasonably result in a Material Adverse Change,
- (ii) Except for Environmental Conditions, violations or failures which individually and in the aggregate are not reasonably likely to result in a Material Adverse Change, there are no circumstances at, on or under any Property that constitute a breach of or non-compliance with any of the Environmental Laws, and there are no past or present Environmental Conditions at, on or under any Property or, to any Loan Party's knowledge, at, on or under adjacent property, that prevent compliance with the Environmental Laws at any Property,
- (iii) Neither any Property nor any structures, improvements, equipment, fixtures, activities or

facilities thereon or thereunder contain or use Regulated Substances, except in compliance with Environmental Laws, which could reasonably result in a Material Adverse Change. There are no processes, facilities, operations, equipment or other activities at, on or under any Property, or, to any Loan Party's knowledge, at, on or under adjacent property, that currently result in the release or threatened release of Regulated Substances onto any Property, except to the extent that such releases or threatened releases are not a breach of or otherwise not a violation of the Environmental Laws or are not likely to result in a Material Adverse Change,

- (iv) There are no aboveground storage tanks, underground storage tanks or underground piping associated with such tanks, used for the management of Regulated Substances at, on or under any Property that (a) do not have, to the extent required by Environmental Laws, a full operational secondary containment system in place, and (b) are not otherwise in compliance with all Environmental Laws, except in any case where such would not result in a Material Adverse Change. There are no abandoned underground storage tanks or underground piping associated with such tanks, previously used for the management of Regulated Substances at, on or under any Property that have not either been closed in place in accordance with Environmental Laws or removed in compliance with all applicable Environmental Laws and no contamination associated with the use of such tanks exists on any Property that is not in compliance with Environmental Laws, except in any case where such would not result in a Material Adverse Change,
- (v) The applicable Loan Party or a Subsidiary of a Loan Party has all permits, licenses, authorizations, plans and approvals necessary under the Environmental Laws for the conduct of the business of the Borrower and its Subsidiaries taken as a whole, except in any case where the failure to so have

would not result in a Material Adverse Change. Each Loan Party and each Subsidiary of a Loan Party has submitted all notices, reports and other filings required by the Environmental Laws to be submitted to an Official Body which pertain to past and current operations on any Property, except in any case where the failure to so submit would not result in a Material Adverse Change, and

- (vi) Except for violations which individually and in the aggregate are not likely to result in a Material Adverse Change, all past and present on-site generation, storage, processing, treatment, recycling, reclamation, disposal or other use or management of Regulated Substances at, on, or under any Property and all off-site transportation, storage, processing, treatment, recycling, reclamation, disposal or other use or management of Regulated Substances have been done in accordance with the Environmental Laws.

5.1.23 Senior Debt Status.

The Obligations of each Loan Party under this Agreement, the Revolving Credit Notes, the Master Guaranty Agreement and each of the other Loan Documents to which it is a party do rank and will rank at least pari passu in priority of payment with all other Indebtedness of such Loan Party except Indebtedness of such Loan Party to the extent secured by Permitted Liens and, if the Acquisition closes, will rank senior in priority of payment to the Seller Note and to the Subordinated Bridge Financing. There is no Lien upon or with respect to any of the properties or income of any Loan Party or Subsidiary of any Loan Party which secures indebtedness or other obligations of any Person except for Permitted Liens.

5.2 Subsidiaries Other than Material Subsidiaries.

The breach of any of the representations and warranties contained in Section 5.1 with respect to a Subsidiary of the Borrower other than a Material Subsidiary shall not be deemed to breach such representation or warranty unless such breach constitutes a Material Adverse Change.

5.3 Acquisition Closing.

In the event that the Acquisition closes, the Borrower shall be deemed to have remade all of the representations and warranties to the Administrative Agent, the Managing Agents, the Syndication Agent, the Issuing Letter of Credit Banks and each of the Banks as of

the time of the closing of the Acquisition and after giving effect to the Acquisition including each of Kay-Bee Center, Inc. and its subsidiaries becoming a Subsidiary of the Borrower.

5.4 Updates to Schedules.

Should any of the information or disclosures provided on any of the Schedules attached hereto become outdated or incorrect in any material respect, the applicable Loan Parties shall promptly provide to the Managing Agents in writing with such revisions or updates to such Schedule as may be necessary or appropriate to update or correct same; provided, however, that no Schedule shall be deemed to have been amended, modified or superseded by any such correction or update (other than the amendments and updates contained in the Schedules delivered on the Closing Date or on or as of the date of the closing of the Acquisition which give effect to the consummation of the Acquisition if the Acquisition closes and which shall be deemed to have amended and updated the Schedules if the closing of the Acquisition occurs as of the closing of the Acquisition), nor shall any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule be deemed to have been cured thereby, unless and until the Required Banks, in their sole and absolute discretion, shall have accepted in writing such revisions or updates to such Schedule, which decision to accept or not must be communicated to the Borrower promptly.

6. CONDITIONS OF LENDING

The obligation of each Bank to make Revolving Credit Loans and of the Issuing Letter of Credit Banks to issue Letters of Credit hereunder is subject to the performance by each of the Loan Parties of its Obligations to be performed hereunder at or prior to the making of any such Revolving Credit Loans or issuance of such Letters of Credit and to the satisfaction of the following further conditions:

6.1 First Revolving Credit Loans.

On the Closing Date:

6.1.1 Officer's Certificate.

The representations and warranties of each of the Loan Parties contained in Article 5 and in each of the other Loan Documents shall be true and accurate on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein), and each of the Loan Parties shall have performed and complied with all covenants and conditions hereof and thereof, no Event of Default or Potential

Default shall have occurred and be continuing or shall exist; and there shall be delivered to the Administrative Agent for the benefit of each Bank a certificate of the Borrower, the Company and each of the Material Subsidiaries, dated the Closing Date and signed by the Chief Executive Officer, President or Chief Financial Officer of such Person, to each such effect (provided that the certificate which gives effect to the closing of the Acquisition shall be delivered in escrow pending the closing of the Acquisition).

6.1.2 Secretary's Certificate.

There shall be delivered to the Administrative Agent for the benefit of each Bank a certificate dated the Closing Date and signed by the Secretary or an Assistant Secretary of each of the Company, the Borrower and each Material Subsidiary, certifying as appropriate as to:

- (i) all action taken by such Loan Party in connection with this Agreement and the other Loan Documents;
- (ii) the names of the officer or officers authorized to sign this Agreement and the other Loan Documents and the true signatures of such officer or officers and specifying the Authorized Officers permitted to act on behalf of such Loan Party for purposes of this Agreement and the true signatures of such officers, on which the Administrative Agent and each Bank may conclusively rely; and
- (iii) copies of its organizational documents, including its certificate of incorporation and bylaws as in effect on the Closing Date certified by the appropriate state official where such documents are filed in a state office together with certificates from the appropriate state officials as to the continued existence and good standing of such Loan Party in each state where organized or qualified to do business;

provided that the certificate which gives effect to the closing of the Acquisition shall be delivered in escrow pending the closing of the Acquisition.

6.1.3 Delivery of Loan Documents.

The Loan Documents shall be executed and delivered to the Administrative Agent for the benefit of the Banks (provided that the Loan Documents to which

Kay Bee Center, Inc. is a party shall be delivered in escrow pending the closing of the Acquisition).

6.1.4 Delivery of Certain Other Financing Documents.

The Subordinated Bridge Financing shall have been executed and delivered by the parties thereto in form and substance satisfactory to the Managing Agents, into escrow pending the closing of the Acquisition and upon such closing shall be in full force and effect, and true and correct copies thereof shall have been delivered to the Administrative Agent.

6.1.5 Opinion of Counsel.

There shall be delivered to the Administrative Agent for the benefit of each Bank a written opinion of Benesch, Friedlander, Coplan & Aronoff P.L.L. and of Albert J. Bell, Esq. counsel for the Loan Parties (who may rely on the opinions of such other counsel as may be acceptable to the Administrative Agent), dated the Closing Date and in form and substance satisfactory to the Managing Agents and their counsel as to the matters set forth in Exhibit 6.1.5 (provided that opinions which give effect to the closing of the Acquisition shall be delivered immediately following the Acquisition).

6.1.6 Legal Details.

All legal details and proceedings in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be in form and substance satisfactory to the Managing Agents and their counsel, and the Managing Agents shall have received all such other counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance satisfactory to the Managing Agents and said counsel, as the any of the Managing Agents or said counsel may reasonably request.

6.1.7 Payment of Fees.

The Borrower shall have paid or caused to be paid to the Administrative Agent for itself and for the account of the Banks to the extent not previously paid all commitment and other fees accrued through the Closing Date and the costs and expenses for which the Documentation Agent, the Administrative Agent and the Banks are entitled to be reimbursed. The Borrower shall have paid or caused to be paid all unpaid fees owing to PNC Securities Corp under that certain engagement letter dated March 25, 1996 between PNC Securities Corp and Company.

6.1.8 Acquisition.

All instruments and documents necessary to close the Acquisition pursuant to the Stock Purchase Agreement on terms and conditions satisfactory to the Managing Agents

(with no amendment or modification having been made to the Stock Purchase Agreement nor the Company or the Borrower having waived any rights thereunder, except for minor matters reasonably needed to consummate the Acquisition) shall have been delivered into escrow pending the closing of the Acquisition.

6.1.9 Consents.

All material consents required to effectuate the transactions contemplated hereby as set forth on Schedule 5.1.13 shall have been obtained.

6.1.10 Officer's Certificate Regarding MACs.

Since February 3, 1996 (i) no Material Adverse Change shall have occurred and (ii) there shall have been no material change in the management of the Company or the Borrower (except as disclosed to the Banks in a writing referencing this provision); and there shall have been delivered to the Administrative Agent for the benefit of each Bank a certificate dated the Closing Date and signed by the Chief Executive Officer, President or Chief Financial Officer of the Borrower and the Company to each such effect.

6.1.11 No Violation of Laws.

The making of the Revolving Credit Loans and issuance of the Letters of Credit shall not contravene any Law applicable to any Loan Party or any of the Banks.

6.1.12 No Actions or Proceedings.

No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, this Agreement, the other Loan Documents or the consummation of the transactions contemplated hereby or thereby or which, in the Managing Agents' sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or any of the other Loan Documents.

6.1.13 Insurance Policies; Certificates of Insurance.

The Borrower shall have delivered to the Administrative Agent upon its request evidence acceptable to the Administrative Agent that adequate insurance in compliance with Section 7.1.3 is in full force and effect and that all premiums then due thereon have been paid, together with if requested by the Administrative Agent a certified copy of each Loan Party's casualty insurance policy or policies.

6.1.14 Termination of Existing Bank Facility.

The Borrower shall have terminated the Existing Bank Facility and paid all amounts owed thereunder.

6.2 Each Additional Revolving Credit Loan.

At the time of making any Revolving Credit Loans or Swing Loans or issuance of any Letters of Credit other than Revolving Credit Loans made or Letters of Credit deemed issued on the Closing Date and after giving effect to the proposed extensions of credit: the representations and warranties of the Loan Parties contained in Article 5 and in the other Loan Documents shall be true on and as of the date of such additional Revolving Credit Loan or Swing Loan or Letter of Credit with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein) and the Loan Parties shall have performed and complied with all covenants and conditions hereof; no Event of Default or Potential Default shall have occurred and be continuing or shall exist; the making of the Revolving Credit Loans or Swing Loans or issuance of such Letter of Credit shall not contravene any Law applicable to any Loan Party or Subsidiary of any Loan Party or any of the Banks; and the Borrower shall have delivered to the Administrative Agent or the Issuing Letter of Credit Bank, a duly executed and completed Loan Request or application for a Letter of Credit as the case may be.

7. COVENANTS

7.1 Affirmative Covenants.

The Borrower covenants and agrees that until payment in full of the Revolving Credit Loans and Reimbursement Obligations and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations under the Loan Documents and termination of the Revolving Credit Commitments, the Loan Parties shall comply at all times with the following affirmative covenants:

7.1.1 Preservation of Existence, Etc.

The Company, the Borrower and, except as permitted by Section 7.2.6, each Material Subsidiary shall maintain its corporate existence and its license or qualification and good standing in each jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except where the failure to be so licensed or qualified would not result in a Material Adverse Change.

7.1.2 Payment of Liabilities, Including Taxes, Etc.

Each Loan Party shall, and shall cause each of its Subsidiaries to, duly pay and discharge all liabilities to which it is subject or which are asserted against it, promptly as and

when the same shall become due and payable, including all taxes, assessments and governmental charges upon it or any of its properties, assets, income or profits, prior to the date on which penalties attach thereto, except to the extent that such liabilities, including taxes, assessments or charges, are being contested in good faith and by appropriate and lawful proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made, but only to the extent that failure to discharge any such liabilities would not result in any additional liability which would adversely affect to a material extent the financial condition of the Loan Parties and their Subsidiaries taken as a whole, provided that the Loan Parties and their Subsidiaries will pay all such liabilities forthwith upon the commencement of proceedings to foreclose any Lien which may have attached as security therefor unless and as long as such proceedings are stayed.

7.1.3 Maintenance of Insurance.

Each Loan Party shall, and shall cause each of its Subsidiaries to, insure its properties and assets against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation, public liability and business interruption insurance) and against other risks (including errors and omissions) in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable and financially sound insurers, including self-insurance to the extent customary, all as reasonably determined by the Documentation Agent. At the request of the Administrative Agent, the Loan Parties shall deliver to the Administrative Agent (x) on the Closing Date and annually thereafter an original certificate of insurance signed by the Loan Parties' independent insurance broker describing and certifying as to the existence of the insurance required to be maintained by this Agreement and the other Loan Documents, and (y) from time to time a summary schedule indicating all insurance then in force with respect to each of the Loan Parties.

7.1.4 Maintenance of Properties and Leases.

Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain in good repair, working order and condition (ordinary wear and tear excepted) in accordance with the general practice of other businesses of similar character and size, all of those material properties necessary to its business, and from time to time, such Loan Party or such Subsidiary will make or cause to be made all appropriate repairs, renewals or replacements thereof.

7.1.5 Maintenance of Patents, Trademarks, Etc.

Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain in full force and effect all patents, trademarks, service marks, trade names, copyrights, licenses, franchises, permits and other authorizations necessary for the ownership and operation of its properties and business if the failure so to maintain the same would constitute a Material Adverse Change.

7.1.6 Visitation Rights.

Each Loan Party shall, and shall cause each of its Subsidiaries to, permit any of the officers or authorized employees or representatives of the Documentation Agent, the Administrative Agent or any of the Banks to visit and inspect any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances and accounts with its officers, all in such detail and at such times and as often as any of the Banks may reasonably request, provided that each Bank shall provide the Borrower and the Administrative Agent with reasonable notice prior to any visit or inspection.

7.1.7 Keeping of Records and Books of Account.

The Company shall, and shall cause each Subsidiary of the Company including the Borrower to, maintain and keep proper books and records which enable the Company and its Subsidiaries to issue financial statements in accordance with GAAP and as otherwise required by applicable Laws of any Official Body having jurisdiction over the Company or any Subsidiary of the Company, and in which full, true and correct entries shall be made in all material respects of all its dealings and business and financial affairs.

7.1.8 Plans and Benefit Arrangements.

The Company shall, and shall cause each other member of the ERISA Group to, comply with ERISA, the Internal Revenue Code and other applicable Laws applicable to Plans and Benefit Arrangements except where such failure, alone or in conjunction with any other failure, would not result in a Material Adverse Change. Without limiting the generality of the foregoing, the Company shall cause all of its Plans and all Plans maintained by any other member of the ERISA Group to be funded in accordance with the minimum funding requirements of ERISA and shall make, and cause each other member of the ERISA Group to make, in a timely manner, all contributions due to Plans, Benefit Arrangements and Multiemployer Plans.

7.1.9 Compliance with Laws.

Each Loan Party shall, and shall cause each of its Subsidiaries to, comply with all applicable Laws, including all Environmental Laws, in all respects, provided that it shall not be deemed to be a violation of this Section 7.1.9 if any failure to comply with any Law would not result in fines, penalties, remediation costs, other similar liabilities or injunctive relief which in the aggregate would constitute a Material Adverse Change.

7.1.10 Use of Proceeds.

The Borrower will use the Letters of Credit and the proceeds of the Revolving Credit Loans only for lawful purposes in accordance with Section 2.8 and such uses shall not contravene any applicable Law or any other provision hereof.

7.1.11 Interest Rate Protection.

In the event that the Borrower borrows the \$100 million loan pursuant to the Subordinated Bridge Financing, the Borrower shall have entered into an interest rate protection agreement with a financial institution acceptable to the Borrower and the Managing Agents with such terms and conditions as shall be acceptable to the Managing Agents and the Borrower (the "Interest Rate Protection Agreement"). Documentation for the Interest Rate Protection Agreement shall be in a standard International Swap Dealer Association agreement.

7.1.12 Subordination of Intercompany Loans.

Each Loan Party shall cause any Intercompany Loans owed by any Loan Party to any other Loan Party or Subsidiary of a Loan Party to be subordinated pursuant to the terms of the Master Intercompany Subordination Agreement.

7.1.13 Retirement of Private Placement Notes.

The Company on or before August 1, 1996 shall irrevocably pay and discharge the Senior Notes and all Indebtedness relating to the Senior Notes.

7.2 Negative Covenants.

The Borrower covenants and agrees that until payment in full of the Revolving Credit Loans and Reimbursement Obligations and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations hereunder and termination of the Revolving Credit Commitments, the Loan Parties shall comply with the following negative covenants:

7.2.1 Indebtedness.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time create, incur, assume or suffer to exist any Indebtedness, except:

- (i) Indebtedness under the Loan Documents;
- (ii) existing Indebtedness as set forth on Schedule 7.2.1 (including any extensions or renewals thereof, provided there is no increase in the amount thereof or imposition of additional material obligations therein unless otherwise specified on Schedule 7.2.1;
- (iii) capitalized and operating leases as and to the extent not prohibited by Section 7.2.15;

- (iv) Indebtedness which is subordinated in accordance with the provisions of Section 7.1.12;
- (v) Indebtedness secured by Purchase Money Security Interests not exceeding \$10,000,000;
- (vi) Indebtedness of a Loan Party to another Loan Party;
- (vii) the Seller Note;
- (viii) the Subordinated Bridge Financing (including any refinancings thereof permitted under Section 7.2.22) to the extent not repaid from the net proceeds of the sales of any capital stock of the Company;
- (ix) Indebtedness in connection with interest rate agreements as referenced in Section 7.1.11;
- (x) Indebtedness permitted under Section 7.2.3; and
- (xi) any other Indebtedness (excluding Indebtedness relating to documentary letters of credit) not referenced above which does not exceed in the aggregate \$25,000,000.

7.2.2 Liens.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, (i) at any time create, incur, assume or suffer to exist any Lien on any of its property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens or (ii) at any time agree, directly or indirectly, with respect to any asset material to the Borrower and its Subsidiaries taken as a whole to any restriction (including without limitation on the foregoing any requirement to grant a third Person a Lien in the event that the Banks are granted a Lien) on the granting or conveying of Liens to the Banks.

7.2.3 Guaranties.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time, directly or indirectly, become or be liable in respect of any Guaranty, or assume, guarantee, become surety for, endorse or otherwise agree, become or remain directly or contingently liable upon or with respect to any obligation or liability of any other Person, except for Guaranties of Indebtedness of the Loan Parties permitted hereunder; provided, however, that no Subsidiary of the Borrower shall guaranty the Seller Note or any obligations to

Melville Corporation arising in connection with the Acquisition and that any Guaranties of the Subordinated Bridge Financing shall be subordinated on terms satisfactory to the Managing Agents to the Subsidiary Guaranties.

7.2.4 Loans and Investments.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time make or suffer to remain outstanding any loan or advance to, or purchase, acquire or own any stock, bonds, notes or securities of, or any partnership interest (whether general or limited) in, or any other investment or interest in, or make any capital contribution to, any other Person, or agree, become or remain liable to do any of the foregoing, except as set forth on Schedule 7.2.4 and:

- (i) trade credit extended on usual and customary terms in the ordinary course of business;
- (ii) advances to employees to meet expenses incurred by such employees in the ordinary course of business;
- (iii) Permitted Investments;
- (iv) loans, advances and investments in other Loan Parties and Subsidiaries of Loan Parties; and
- (v) Indebtedness permitted by Section 7.2.1, liquidations, mergers, consolidations and acquisitions permitted by Section 7.2.6, and capital expenditures permitted by Section 7.2.15.
- (vi) Investments other than those set forth hereinabove not to exceed \$10,000,000.

7.2.5 Dividends and Related Distributions.

Except as provided herein, each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, make or pay, or agree to become or remain liable to make or pay, any dividend or other distribution of any nature (whether in cash, property, securities or otherwise) on account of or in respect of its shares of capital stock or partnership interests on account of the purchase, redemption, retirement or acquisition of its shares of capital stock (or warrants, options or rights therefor) or partnership interests, except dividends or other distributions payable to another Loan Party. The Company may declare and pay dividends on its capital stock which are payable solely in shares of its capital stock or other equity interests of the

Company. The Company may make purchases and redemptions of its capital stock pursuant to existing plans provided that the aggregate of all such purchases does not exceed \$10,000,000.

7.2.6 Liquidations, Mergers, Consolidations, Acquisitions.

Except as permitted by Section 7.2.7 each of the Loan Parties shall not, and shall not permit any of the Company, the Borrower and the Material Subsidiaries to, dissolve, liquidate or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or substantially all of the assets or capital stock of any other Person, provided that any Loan Party other than the Borrower and the Company may consolidate, liquidate, dissolve or merge into, or acquire, another Loan Party which is wholly-owned, directly or indirectly, by the Company and that the Borrower may acquire Kay-Bee Center, Inc. and its subsidiaries pursuant to and otherwise consummate the Acquisition.

7.2.7 Dispositions of Assets or Subsidiaries.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest or partnership interests of a Subsidiary of such Loan Party), except:

- (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 such Loan Party's or such Subsidiary's business;
- (iii) any sale, transfer or lease of assets by any wholly owned Subsidiary of such Loan Party to another Loan Party;
- (iv) any sale, transfer or lease of assets, other than those specifically excepted pursuant to clauses (i) through (iii) above or clauses (v) and (vi) below, provided that the aggregate after-tax net cash proceeds (including without limitation cash, as and when collected, pursuant to any notes or other securities received as consideration for such sale, transfer or lease) of all such sales, transfers or leases on and after the date hereof (as reasonably estimated by the

Borrower) in excess of \$ 25,000,000 shall be applied as a mandatory prepayment of the Revolving Credit Loans in accordance with the provisions of Section 4.5.1;

- (v) any sale or transfer by the Company of the capital stock or other equity interests of the Company; and
- (vi) cash payments pursuant to transactions not prohibited hereunder.

7.2.8 Affiliate Transactions.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, enter into or carry out any transaction with any of its Affiliates (including purchasing property or services from or selling property or services to any Affiliate of any Loan Party or other Person other than a Loan Party) unless such transaction is not otherwise prohibited by this Agreement, is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and conditions (including without limitation employment arrangements with any Executive Officer of the Borrower and its Subsidiaries) which are fully disclosed to the Administrative Agent and is in accordance with all applicable Law.

7.2.9 Subsidiaries, Partnerships and Joint Ventures.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, own or create directly or indirectly any Subsidiaries other than (i) any Subsidiary which has joined this Agreement as Guarantor on the Closing Date; and (ii) any Subsidiary acquired or formed after the Closing Date which joins this Agreement as a Guarantor pursuant to Section 10.18. Each of the Loan Parties shall not become or agree to become a general or limited partner in any general or limited partnership or a joint venturer in any joint venture other than (i) solely with other Loan Parties; (ii) as permitted by Section 7.2.4; (iii) for the acquisition of inventory; and (iv) for transactions which when aggregated do not exceed \$10,000,000, except that the Loan Parties may be general or limited partners in other Loan Parties.

7.2.10 Continuation of or Change in Business.

Each of the Company and the Borrower shall not, and shall not permit any of its Subsidiaries to, engage in any business other than wholesale and retail sale of general merchandise, substantially as conducted and operated by the Company, the Borrower and their Subsidiaries, and, if the Acquisition is consummated, as conducted and operated by Kay-Bee Center, Inc. and its Subsidiaries, during the present fiscal year.

7.2.11 Plans and Benefit Arrangements.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to:

- (i) fail to satisfy the minimum funding requirements of ERISA and the Internal Revenue Code with respect to any Plan where such would result in a Material Adverse Change;
- (ii) request a minimum funding waiver from the Internal Revenue Service with respect to any Plan;
- (iii) engage in a Prohibited Transaction with any Plan, Benefit Arrangement or Multiemployer Plan which, alone or in conjunction with any other circumstances or set of circumstances resulting in liability under ERISA, would constitute a Material Adverse Change;
- (iv) permit, as of the end of any calendar year, the aggregate accumulated benefit obligations determined in accordance with GAAP for all Plans to exceed by more than \$8 million the fair market value of all assets of the Plans;
- (v) fail to make when due any contribution to any Multiemployer Plan that the Borrower or any member of the ERISA Group may be required to make under any agreement relating to such Multiemployer Plan, or any Law pertaining thereto where such would result in a Material Adverse Change;
- (vi) withdraw (completely or partially) from any Multiemployer Plan or withdraw (or be deemed under Section 4062(e) of ERISA to withdraw) from any Multiple Employer Plan, where any such withdrawal is likely to result in a material liability of the Borrower or any member of the ERISA Group;
- (vii) terminate, or institute proceedings to terminate, any Plan, where such termination is likely to result in a

material liability to the Borrower or any member of the ERISA Group;

- (viii) make any amendment to any Plan with respect to which security is required under Section 307 of ERISA; or
- (ix) fail to give any and all notices and make all disclosures and governmental filings required under ERISA or the Internal Revenue Code, where such failure is likely to result in a Material Adverse Change.

7.2.12 Fiscal Year.

The Company shall not, and shall not permit any Subsidiary of the Company to, change its fiscal year from the fifty-two/fifty-three week fiscal year beginning on the Sunday closest to February 1, and ending on the Saturday closest to February 1 of each year.

7.2.13 Issuance of Stock.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, issue any additional shares of its capital stock or any options, warrants or other rights in respect thereof other than to another Loan Party or Subsidiary of a Loan Party; provided, however, that nothing contained herein shall prohibit the Company from issuing shares of its capital stock or other equity interests of the Company.

7.2.14 Changes in Organizational Documents.

Except as permitted by Section 7.2.6, each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, amend in any respect its certificate of incorporation (including any provisions or resolutions relating to capital stock), by-laws or other organizational documents without providing at least five (5) calendar days' prior written notice to the Administrative Agent and the Banks and, in the event such change would be adverse to the Banks as determined by the Required Banks in their sole discretion, obtaining the prior written consent of the Required Banks.

7.2.15 Capital Expenditures and Leases.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, make any payments or incur any obligation on account of the purchase or lease of any assets which if purchased would constitute fixed assets or which if leased would constitute a capitalized lease under GAAP if the aggregate of such payments and incurred obligations

together with all other similar payments and incurred obligations made during such fiscal year would exceed the amount set forth below for such fiscal year:

Fiscal Year Ending -----	Maximum Consolidated Capital Expenditures -----
February 1, 1997	\$110,000,000
January 31, 1998 and each fiscal year thereafter	\$100,000,000

To the extent that the Consolidated Capital Expenditures for any given fiscal year are less than the maximum amount permitted for such fiscal year, the next succeeding fiscal year's maximum Consolidated Capital Expenditures shall be increased by such difference.

7.2.16 Minimum Fixed Charge Coverage Ratio.

The Loan Parties shall not permit at any time the Fixed Charge Coverage Ratio, calculated as of the end of each fiscal quarter ending nearest the date set forth below to be less than the following minimum Fixed Charge Coverage Ratio:

Fiscal Quarter Ending nearest: -----	Minimum Fixed Charge Coverage Ratio -----
July 31, 1996	1.25
October 31, 1996	1.25
January 31, 1997	1.50
April 30, 1997	1.50
July 31, 1997	1.50
October 31, 1997	1.50
January 31, 1998	1.60

April 30, 1998	1.60
July 31, 1998	1.60
October 31, 1998	1.60
All Quarters subsequent to October 31, 1998	1.70

7.2.17 Total Indebtedness to Total
Capitalization Ratio.

The Loan Parties shall not permit at any time the ratio of (i) the sum of (A) Indebtedness of the Company and its Subsidiaries determined and consolidated in accordance with GAAP plus (B) the product of four times the Consolidated Rentals, to (ii) the sum of (A) Indebtedness of the Company and its Subsidiaries determined and consolidated in accordance with GAAP plus (B) the product of four times the Consolidated Rentals plus (C) the stockholders equity of the Company and its Subsidiaries determined and consolidated in accordance with GAAP, to be greater than the following maximum permitted percentage:

Fiscal Quarter Ending nearest: -----	Maximum Permitted Percentage -----
July 31, 1996	67.5%
October 31, 1996	72.5%
January 31, 1997	62.5%
April 30, 1997	67.5%
July 31, 1997	70.0%
October 31, 1997	72.5%
January 31, 1998	60.0%
April 30, 1998	65.0%

July 31, 1998	67.5%
October 31, 1998	70.0%
All Quarters subsequent to October 31, 1998	57.5%

7.2.18 Minimum Tangible Net Worth.

The Loan Parties shall not permit at any time Consolidated Tangible Net Worth to be less than the Base Tangible Net Worth.

7.2.19 Minimum Working Capital Ratio.

The Loan Parties shall not permit at the end of any fiscal quarter of the Company the ratio of (i) the sum of Company's and its Subsidiaries' (A) cash and cash equivalents, (B) accounts receivable net of bad debt reserves plus (C) inventory net of any reserves, in each case as determined and consolidated in accordance with GAAP, to (ii) the sum of (A) the Revolving Credit Loans plus (B) the Company's and its Subsidiaries' accounts payable as determined and consolidated in accordance with GAAP plus (C) the Company's and its Subsidiaries other current liabilities as determined and consolidated in accordance with GAAP to be less than 1.15 to 1.00.

7.2.20 Amendments to Certain Documents.

The Loan Parties shall not (i) enter into the Subordinated Bridge Financing other than in the form thereof delivered on the Closing Date to the Administrative Agent or issue the Seller Note or enter into the indenture pursuant to which the Seller Note is to be issued from the form thereof delivered to the Administrative Agent on the Closing Date, or (ii) if the Acquisition closes, the Subordinated Bridge Financing is entered into and the Seller Note issued under the related indenture, permit, without the prior written consent of the Required Banks, any amendment, waiver or modification to the Subordinated Bridge Financing, the Stock Purchase Agreement, the Seller Note and the indenture pursuant to which the Seller Note is issued, or any other document or instrument delivered in connection with any of the foregoing except for amendments, waivers or modifications to provisions other than those which subordinate the Subordinated Bridge Financing and the Seller Note to the Obligations and which amendments, waivers or modifications do not change or otherwise affect the terms of such agreements or instruments in a material manner .

7.2.21 Outstanding Revolving Credit Loans.

The Loan Parties shall not permit the Revolving Credit Loans to exceed \$75,000,000 for not less than thirty (30) consecutive calendar days during the period commencing with December 1 of each calendar year and ending on February 1 of the succeeding calendar year.

7.2.22 No Prepayment of Subordinated Debt.

If the Acquisition is closed, the Loan Parties shall not (i) permit the prepayment prior to maturity, directly or indirectly (including without limitation on the foregoing any purchase of one or more of the notes issued thereunder or any interest or participation in any such notes), of any principal of the \$100 million loan made pursuant to the Subordinated Bridge Financing (or the prepayment prior to maturity of the principal of any subordinated indebtedness issued pursuant to refinancings thereof permitted by clause (y) below) except to the extent (x) of and using the net proceeds from any sales of capital stock or other equity interests of the Company which is not mandatorily redeemable at the option of the holder thereof (including debt instruments which are convertible to such capital stock or such other equity interests and are so converted) and (y) of and using the net proceeds from any incurrence of Indebtedness which is subordinated to the same extent and manner as the Subordinated Bridge Financing is subordinated to the Obligations and which has a maturity extending beyond the Expiration Date, in each case to Persons other than the Company and direct or indirect Subsidiaries of the Company, and, provided, in the case of clauses (x) and (y) above, that at the time of such sale or incurrence that no Event of Default or Potential Default has occurred and is continuing or (ii) permit the payment, directly or indirectly (including without limitation on the foregoing any purchase of one or more of the notes issued thereunder or any interest or participation in any such notes), of any principal of the Seller Note (provided that this provision shall not prohibit transfers by any holder or holders of the Seller Note to Persons other than the Company and direct or indirect Subsidiaries of the Company).

7.2.23 Inventory Purchases.

The Loan Parties shall not permit (i) any material amount of inventory to be purchased by any Person other than the Borrower and the Material Subsidiaries or (ii) any Loan Party or any Subsidiary of a Loan Party, other than the Borrower and the Material Subsidiaries, to be obligated directly or indirectly to any Person other than a Loan Party with respect to any material amount of purchased inventory.

7.2.24 Acquisition Closing.

The Loan Parties shall not permit the Acquisition to close unless (i) such closing is pursuant to and in accordance with the terms and conditions of the Stock Purchase Agreement with no amendment or modification having been made to or term or condition waived in the Stock Purchase Agreement, except for minor matters reasonably needed to consummate

the Acquisition and except as may be approved by the Managing Agents, (ii) the Seller Note is issued and (iii) the Subordinated Bridge Financing has become effective pursuant to Section 3.01 thereof.

7.3 Reporting Requirements.

The Borrower covenants and agrees that until payment in full of the Revolving Credit Loans and Reimbursement Obligations and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations hereunder and under the other Loan Documents and termination of the Revolving Credit Commitments, the Loan Parties will furnish or cause to be furnished to the Administrative Agent and each of the Banks:

7.3.1 Quarterly Financial Statements.

As soon as available and in any event within forty-five (45) calendar days after the end of each of the first three fiscal quarters in each fiscal year, financial statements of the Company, consisting of a consolidated and consolidating balance sheet as of the end of such fiscal quarter and related consolidated and consolidating statements of income, stockholders' equity and cash flows for the fiscal quarter then ended and the fiscal year through that date, all in reasonable detail and certified (subject to normal year-end audit adjustments) by the Chief Executive Officer, President or Chief Financial Officer of the Borrower as having been prepared in accordance with GAAP and as to fairness of presentation, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year. Wherever referenced in this Section 7, the term "consolidating" is limited to consolidating information on a basis consistent with current accounting practices of the Company.

7.3.2 Annual Financial Statements.

As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Company, consolidated and consolidating financial statements of the Company consisting of a consolidated and consolidating balance sheet as of the end of such fiscal year, and related consolidated and consolidating statements of income, stockholders' equity and cash flows for the fiscal year then ended, all in reasonable detail and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and with respect to the consolidated statements, certified by independent certified public accountants of nationally recognized standing satisfactory to the Administrative Agent. The certificate or report of accountants shall be free of qualifications (other than any consistency qualification that may result from a change in the method used to prepare the financial statements as to which such accountants concur) and shall not indicate the occurrence or existence of any event, condition or contingency which would materially impair the prospect of payment or performance of any covenant, agreement or duty of any Loan Party under any of the Loan Documents, together with a letter of such accountants substantially to the effect that, based upon their ordinary and

customary examination of the affairs of the Company, performed in connection with the preparation of such consolidated financial statements, and in accordance with generally accepted auditing standards, they are not aware of the existence of any condition or event which constitutes an Event of Default or Potential Default or, if they are aware of such condition or event, stating the nature thereof and confirming the Borrower's calculations with respect to the certificate to be delivered pursuant to Section 7.3.3 with respect to such financial statements.

7.3.3 Certificate of the Borrower.

Concurrently with the financial statements of the Company furnished to the Administrative Agent and to the Banks pursuant to Sections 7.3.1 and 7.3.2, a certificate of the Borrower and the Company signed by the Chief Executive Officer, President or Chief Financial Officer of the Borrower and the Company, in the form of Exhibit 7.3.3, to the effect that, except as described pursuant to Section 7.3.4, (i) the representations and warranties contained in Article 5 and in the other Loan Documents are true on and as of the date of such certificate with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time) and the Loan Parties have performed and complied with all covenants and conditions hereof, (ii) no Event of Default or Potential Default exists and is continuing on the date of such certificate and (iii) containing calculations in sufficient detail to demonstrate compliance as of the date of such financial statements with all financial covenants contained in Section 7.2 and to compute the Fixed Charge Coverage Ratio.

7.3.4 Notice of Default.

Promptly after any officer of any Loan Party has learned of the occurrence of an Event of Default or Potential Default, a certificate signed by the Chief Executive Officer, President or Chief Financial Officer of such Loan Party setting forth the details of such Event of

Default or Potential Default and the action which the such Loan Party proposes to take with respect thereto.

7.3.5 Notice of Litigation.

Promptly after the commencement thereof, notice of all actions, suits, proceedings or investigations before or by any Official Body or any other Person against any Loan Party or Subsidiary of any Loan Party which involve a claim or series of uninsured claims (provided that a claim shall be deemed to be uninsured unless the insurance company is a reputable insurance company and has acknowledged that the claim is covered by the applicable insurance policy without any reservation to challenge the applicability thereof) in excess of \$10,000,000 or which if adversely determined would constitute a Material Adverse Change.

7.3.6 Certain Events.

Written notice:

- (i) at least five (5) Business Days prior thereto, with respect to any proposed sale or transfer of assets pursuant to Section 7.2.7(iv) which exceed \$25 million,
- (ii) within the time limits set forth in Section 7.2.14, any amendment to the organizational documents of any Loan Party, and
- (iii) promptly of any notice received by the Company, the Borrower or any Subsidiary of the Company that the Borrower can not or may not be able to borrow under the Subordinated Bridge Financing.

7.3.7 Budgets, Forecasts, Other Reports and Information.

Promptly upon their becoming available to any Loan

Party:

- (i) the consolidated annual budget of the Company, to be supplied not later than the earlier of (i) ninety (90) days following the end of each fiscal year or (ii) two (2) Business Days following the date on which the Board of Directors of the Company approves such annual budget;
- (ii) any reports including management letters submitted to the Company or the Borrower by independent accountants in connection with any annual, interim or special audit;
- (iii) any reports, notices or proxy statements generally distributed by the Company to its stockholders on a date no later than the date supplied to such stockholders;
- (iv) regular or periodic reports, including Forms 10-K, 10-Q and 8-K, registration statements and prospectuses, as may be filed by the Company with the Securities and Exchange Commission;
- (v) a copy of any order in any proceeding to which the Company, the Borrower or any of its Subsidiaries is a party issued by any Official Body; and

- (vi) such other reports and information as any of the Banks may from time to time reasonably request. The Loan Parties shall also notify the Banks promptly of the enactment or adoption of any Law which may result in a Material Adverse Change.

7.3.8 Notices Regarding Plans and Benefit Arrangements.

7.3.8.1 Certain Events.

Promptly upon becoming aware of the occurrence thereof, notice (including the nature of the event and, when known, any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto) of:

- (i) any Reportable Event with respect to the Company or any other member of the ERISA Group (regardless of whether the obligation to report said Reportable Event to the PBGC has been waived),
- (ii) any Prohibited Transaction which could subject the Company or any other member of the ERISA Group to a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Internal Revenue Code in connection with any Plan, any Benefit Arrangement or any trust created thereunder,
- (iii) any assertion of material withdrawal liability with respect to any Multiemployer Plan,
- (iv) any partial or complete withdrawal from a Multiemployer Plan by the Company or any other member of the ERISA Group under Title IV of ERISA (or assertion thereof), where such withdrawal is likely to result in material withdrawal liability,
- (v) any cessation of operations (by the Company or any other member of the ERISA Group) at a facility in the circumstances described in Section 4063(e) of ERISA,

- (vi) withdrawal by the Company or any other member of the ERISA Group from a Multiple Employer Plan,
- (vii) a failure by the Company or any other member of the ERISA Group to make a payment to a Plan required to avoid imposition of a Lien under Section 302(f) of ERISA,
- (viii) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA, or
- (ix) any change in the actuarial assumptions or funding methods used for any Plan, where the effect of such change is to materially increase or materially reduce the unfunded benefit liability or obligation to make periodic contributions.

7.3.8.2 Notices of Involuntary Termination and Annual Reports.

Promptly after receipt thereof, copies of (a) all notices received by the Company or any other member of the ERISA Group of the PBGC's intent to terminate any Plan administered or maintained by the Company or any member of the ERISA Group, or to have a trustee appointed to administer any such Plan; and (b) at the request of the Administrative Agent or any Bank each annual report (IRS Form 5500 series) and all accompanying schedules, the most recent actuarial reports, the most recent financial information concerning the financial status of each Plan administered or maintained by the Company or any other member of the ERISA Group, and schedules showing the amounts contributed to each such Plan by or on behalf of the Company or any other member of the ERISA Group in which any of their personnel participate or from which such personnel may derive a benefit, and each Schedule B (Actuarial Information) to the annual report filed by the Company or any other member of the ERISA Group with the Internal Revenue Service with respect to each such Plan.

7.3.8.3 Notice of Voluntary Termination.

Promptly upon the filing thereof, copies of any Form 5310, or any successor or equivalent form to Form 5310, filed with the PBGC in connection with the termination of any Plan.

8. DEFAULT

8.1 Events of Default.

An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary or effected by operation of Law):

8.1.1 Payments Under Loan Documents.

The Borrower shall fail to pay when due any principal of any Revolving Credit Loan (including scheduled installments, mandatory prepayments or the payment due at maturity) or any Reimbursement Obligations or shall fail to pay within three (3) Business Days when due any interest on any Revolving Credit Loan or on any Reimbursement Obligations or any other amount owing hereunder or under the other Loan Documents after such principal, interest or other amount becomes due in accordance with the terms hereof or thereof;

8.1.2 Breach of Warranty.

Any representation or warranty made or deemed made at any time by any of the Loan Parties herein or by any of the Loan Parties in any other Loan Document, or in any certificate, other instrument or statement furnished pursuant to the provisions hereof or thereof, shall prove to have been false or misleading in any material respect as of the time it was made or deemed made or furnished;

8.1.3 Breach of Negative Covenants.

Any of the Loan Parties shall default in the observance or performance of any covenant contained in Section 7.2;

8.1.4 Breach of Other Covenants.

Any of the Loan Parties shall default in the observance or performance of any other covenant, condition or provision hereof or of any other Loan Document and such default shall continue unremedied for a period of ten (10) Business Days after any Executive Officer of the Borrower or the Company becomes aware of the occurrence thereof (such grace period to be applicable only in the event such default can be remedied by corrective action of the Loan Parties as determined by the Managing Agents in their sole discretion);

8.1.5 Defaults in Other Agreements or Indebtedness.

If (i) the Acquisition closes and an event occurs prior to the making of the \$100 million loan under the Subordinated Bridge Financing which permits the lenders thereunder to refuse to make the \$100 million loan provided for therein to the Borrower or (ii) the \$100 million dollar loan is made under the Subordinated Bridge Financing and not refinanced as

permitted by Section 7.2.22 and either (x) the Required Banks believe in their sole discretion two Business Days prior to the Maturity Date, as such term is defined in the Subordinated Bridge Financing, of the Short Term Note (as such term are defined in the Subordinated Bridge Financing), that the Exchange, as such term is defined in the Subordinated Bridge Financing, will not occur or (y) such Exchange does not occur or (iii) a breach, default or event of default shall occur at any time under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which any Loan Party or Subsidiary of any Loan Party may be obligated as a borrower or guarantor in excess of \$10,000,000 in the aggregate and such breach, default or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any indebtedness when due (whether at stated maturity, by acceleration or otherwise) or such breach or default permits or causes the acceleration of any indebtedness (whether or not such right shall have been waived) or the termination of any commitment to lend;

8.1.6 Final Judgments or Orders.

Any final judgments or orders for the payment of money in excess of \$10,000,000 in the aggregate shall be entered against any Loan Party by a court having jurisdiction in the premises, which judgment either (i) is not discharged, vacated, bonded or stayed pending appeal within a period of sixty (60) days from the date of entry, or (ii) is not fully insured (provided that a judgment shall be deemed to be uninsured unless the insurance company is a reputable insurance company and has acknowledged that the judgment is covered by the applicable insurance policy without any reservation to challenge the applicability thereof) or any Loan Parties' or any of their Subsidiaries' assets having a value on the Company's books in excess of \$10,000,000 are attached, seized, levied upon or subjected to a writ or distress warrant; or such come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors and the same is not cured within sixty (60) days thereafter ;

8.1.7 Loan Document Unenforceable.

Any of the Loan Documents shall cease to be legal, valid and binding agreements enforceable against the party executing the same or such party's successors and assigns (as permitted under the Loan Documents) in accordance with the respective terms thereof or shall in any way be terminated (except in accordance with its terms) or become or be declared ineffective or inoperative or shall in any way be challenged or contested;

8.1.8 Notice of Lien or Assessment.

A notice of Lien or assessment in excess of \$10,000,000 which is not a Permitted Lien is filed of record with respect to all or any part of any of the Loan Parties' or any of their Subsidiaries' assets by the United States, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, including the PBGC, or if any taxes or debts owing at any time or times hereafter to any one of these becomes payable and the same is not paid within sixty (60) days after the same becomes payable (unless the

validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed);

8.1.9 Insolvency.

The Company, the Borrower, any Material Subsidiary, or one or more other Subsidiaries of the Borrower which individually or in the aggregate represent more than five percent (5%) of the book value of the consolidated assets of the Borrower and its Subsidiaries, ceases to be able to pay its debts as they become due or admits in writing its inability to pay its debts as they mature;

8.1.10 Events Relating to Plans and Benefit Arrangements.

Any of the following occurs: (i) any Reportable Event, which the Documentation Agent and the Administrative Agent determine in good faith constitutes grounds for the termination of any Plan by the PBGC or the appointment of a trustee to administer or liquidate any Plan, shall have occurred and be continuing; (ii) proceedings shall have been instituted or other action taken to terminate any Plan, or a termination notice shall have been filed with respect to any Plan; (iii) a trustee shall be appointed to administer or liquidate any Plan; (iv) the PBGC shall give notice of its intent to institute proceedings to terminate any Plan or Plans or to appoint a trustee to administer or liquidate any Plan; and, in the case of the occurrence of (i), (ii), (iii) or (iv) above, the Administrative Agent determines in good faith that the amount of the Company's liability is likely to exceed 10% of its Consolidated Tangible Net Worth; (v) the Company or any member of the ERISA Group shall fail to make any contributions when due to a Plan or a Multiemployer Plan; (vi) the Company or any other member of the ERISA Group shall make any amendment to a Plan with respect to which security is required under Section 307 of ERISA; (vii) the Company or any other member of the ERISA Group shall withdraw completely or partially from a Multiemployer Plan; (viii) the Company or any other member of the ERISA Group shall withdraw (or shall be deemed under Section 4062(e) of ERISA to withdraw) from a Multiple Employer Plan; or (ix) any applicable Law is adopted, changed or interpreted by any Official Body with respect to or otherwise affecting one or more Plans, Multiemployer Plans or Benefit Arrangements and, with respect to any of the events specified in (v), (vi), (vii), (viii) or (ix), the Documentation Agent and the Administrative Agent determine in good faith that any such occurrence would be reasonably likely to materially and adversely affect the total enterprise represented by the Company and the other members of the ERISA Group;

8.1.11 Cessation of Business.

Any of the Company, the Borrower, (except as permitted by Section 7.2.6 or Section 7.2.7) any Material Subsidiary, or (except as permitted by Section 7.2.6 or Section 7.2.7) one or more other Subsidiaries of the Borrower which individually or in the aggregate represent more than five percent (5%) of the book value of the consolidated assets of the

Borrower and its Subsidiaries, ceases to conduct its business as contemplated or such Loan Party is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business and such injunction, restraint or other preventive order is not dismissed within thirty (30) days after the entry thereof;

8.1.12 Change of Control.

(i) Any person or group of persons (within the meaning of Section 13(a) or 14(a) of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership of (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) 33.33% or more of the voting capital stock of the Company; 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 for election 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;

8.1.13 Involuntary Proceedings.

A proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of any the Company, the Borrower, any Material Subsidiary, or any other Subsidiary the result of which proceeding against such other Subsidiary would be a Material Adverse Change, in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or any Subsidiary of any Loan Party for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) consecutive days or such court shall enter a decree or order granting any of the relief sought in such proceeding; or

8.1.14 Voluntary Proceedings.

Any of the Company, the Borrower, any Material Subsidiary or any other Subsidiary the result of which voluntary case by such other Subsidiary would be a Material Adverse Change, shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or other similar official) of itself or for any substantial part of its property or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action in furtherance of any of the foregoing.

8.2 Consequences of Event of Default.

8.2.1 Events of Default Other Than Bankruptcy, Insolvency or Reorganization Proceedings.

If an Event of Default specified under Sections 8.1.1 through 8.1.12 shall occur and be continuing, the Banks and the Administrative Agent shall be under no further obligation to make Revolving Credit Loans or issue Letters of Credit, as the case may be, no Swing Loans shall be made, and the Administrative Agent may, and upon the request of the Required Banks, shall (i) by written notice to the Borrower, declare the unpaid principal amount of the Revolving Credit Notes, the Swing Note and all Reimbursement Obligations then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Banks hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable to the Administrative Agent for the benefit of each Bank without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, and (ii) require the Borrower to, and the Borrower shall thereupon, deposit in a non-interest bearing account with the Administrative Agent, as cash collateral for its Obligations under the Loan Documents, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrower hereby pledges to the Administrative Agent and the Banks, and grants to the Administrative Agent and the Banks a security interest in, all such cash as security for such Obligations. Upon the curing of all existing Events of Default to the satisfaction of the Required Banks, the Administrative Agent shall return such cash collateral to the Borrower;

8.2.2 Bankruptcy, Insolvency or Reorganization Proceedings.

If an Event of Default specified under Section 8.1.13 or 8.1.14 shall occur, the Banks shall make no Revolving Credit Loans hereunder and the Swing Lender shall make no Swing Loans hereunder and the unpaid principal amount of the Revolving Credit Notes, the Swing Note and all Reimbursement Obligations then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Banks hereunder and thereunder shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

8.2.3 Set-off.

If an Event of Default shall occur and be continuing, any Bank to whom any Obligation is owed by any Loan Party hereunder or under any other Loan Document or any participant of such Bank which has agreed in writing to be bound by the provisions of Section 9.13 and any branch, Subsidiary or Affiliate of such Bank or participant anywhere in the world shall have the right, subject to the approval of the Required Banks, in addition to all other rights and remedies available to it, without notice to such Loan Party, to set off against and apply to the then unpaid balance of all the Revolving Credit Loans and all other Obligations of the Borrower and the other Loan Parties hereunder or under any other Loan Document any debt

owing to, and any other funds held in any manner for the account of, the Borrower or such other Loan Party by such Bank or participant or by such branch, Subsidiary or Affiliate, including all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by the Borrower or such other Loan Party for its own account (but not including funds held in custodian or trust accounts) with such Bank or participant or such branch, Subsidiary or Affiliate. Such right shall exist whether or not any Bank or the Administrative Agent shall have made any demand under this Agreement or any other Loan Document, whether or not such debt owing to or funds held for the account of the Borrower or such other Loan Party is or are matured or unmatured and regardless of the existence or adequacy of any collateral, any Guaranty or any other security, right or remedy available to any Bank or the Administrative Agent;

8.2.4 Suits, Actions, Proceedings.

If an Event of Default shall occur and be continuing, and whether or not the Administrative Agent shall have accelerated the maturity of Revolving Credit Loans pursuant to any of the foregoing provisions of this Section 8.2, the Administrative Agent or any Bank, with the approval of the Required Banks, if owed any amount with respect to the Revolving Credit Notes, may proceed to protect and enforce its rights by suit in equity, action at law and/or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement or the Revolving Credit Notes, including as permitted by applicable Law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of the Administrative Agent or such Bank;

8.2.5 Application of Proceeds.

From and after the date on which the Administrative Agent has taken any action pursuant to this Section 8.2 and until all Obligations of the Loan Parties have been paid in full, any and all proceeds received by the Administrative Agent from any sale or other disposition of any collateral, or any part thereof, the exercise of any other remedy by the Administrative Agent, shall be applied as follows:

- (i) first, to reimburse the Administrative Agent and the Banks for out-of-pocket costs, expenses and disbursements, including reasonable attorneys' and paralegals' fees and legal expenses, incurred by the Administrative Agent or the Banks in connection with realizing on any collateral or collection of any Obligations of any of the Loan Parties under any of the Loan Documents, including advances made by the Banks or any one of them or the Administrative Agent for the reasonable maintenance, preservation,

protection or enforcement of, or realization upon, any collateral, including advances for taxes, insurance, repairs and the like and reasonable expenses incurred to sell or otherwise realize on, or prepare for sale or other realization on, any of any collateral;

- (ii) second, to the repayment of all Indebtedness then due and unpaid of the Loan Parties to the Banks incurred under this Agreement or any of the other Loan Documents, whether of principal, interest, fees, expenses or otherwise, in such manner as the Managing Agents may determine in their discretion; and
- (iii) the balance, if any, to the Borrower or as required by Law; and

8.2.6 Other Rights and Remedies.

The Administrative Agent may, and upon the request of the Required Banks shall, exercise all post-default rights granted to the Administrative Agent and the Banks under the Loan Documents or applicable Law.

8.3 Notice of Sale.

Any notice required to be given by the Administrative Agent of a sale, lease, or other disposition of the any collateral or any intended action by the Administrative Agent, if given ten (10) days prior to such proposed action, shall constitute commercially reasonable and fair notice thereof to the Borrower.

9. THE MANAGING AGENTS

9.1 Appointment.

Each Bank hereby irrevocably designates, appoints and authorizes PNC Bank to act as Documentation Agent and National City Bank of Columbus to act as Administrative Agent for such Bank under this Agreement and to execute and deliver or accept on behalf of each of the Banks the other Loan Documents. Each Bank hereby irrevocably authorizes, and each holder of any Revolving Credit Note by the acceptance of a Revolving Credit Note shall be deemed irrevocably to authorize, the Documentation Agent and the Administrative Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and any other instruments and agreements referred to herein, and to exercise such powers and to

perform such duties hereunder as are specifically delegated to or required of the Documentation Agent or the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. PNC Bank, agrees to act as the Documentation Agent and National City Bank of Columbus agrees to act as the Administrative Agent on behalf of the Banks to the extent provided in this Agreement.

9.2 Delegation of Duties.

The Documentation Agent and the Administrative Agent may perform any of their respective duties hereunder by or through agents or employees (provided such delegation does not constitute a relinquishment of its duties as Documentation Agent or Administrative Agent, respectively) and, subject to Sections 9.5 and 9.6, shall be entitled to engage and pay for the advice or services of any attorneys, accountants or other experts concerning all matters pertaining to its duties hereunder and to rely upon any advice so obtained.

9.3 Nature of Duties; Independent Credit Investigation.

The Documentation Agent, the Administrative Agent, the Managing Agents and the Syndication Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and no implied covenants, functions, responsibilities, duties, obligations, or liabilities shall be read into this Agreement or otherwise exist. The duties of the Administrative Agent shall be mechanical and administrative in nature. The Documentation Agent, the Administrative Agent, the Managing Agents and the Syndication Agent shall not have by reason of this Agreement a fiduciary or trust relationship in respect of any Bank; and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Documentation Agent, the Administrative Agent, the Managing Agents or the Syndication Agent any obligations in respect of this Agreement except as expressly set forth herein. Each Bank expressly acknowledges (i) that the Documentation Agent, the Administrative Agent, the Managing Agents and the Syndication Agent have not made any representations or warranties to it and that no act by the Documentation Agent, any Managing Agent, the Syndication Agent or the Administrative Agent hereafter taken, including any review of the affairs of any of the Loan Parties, shall be deemed to constitute any representation or warranty by the Documentation Agent, any Managing Agent, the Syndication Agent or the Administrative Agent to any Bank; (ii) that it has made and will continue to make, without reliance upon the Documentation Agent, the Administrative Agent, the Managing Agents and the Syndication Agent, its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of each of the Loan Parties in connection with this Agreement and the making and continuance of the Revolving Credit Loans hereunder; and (iii) except as expressly provided herein, that the Documentation Agent, the Managing Agents, the Syndication Agent and the Administrative Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto, whether coming into its possession before the making of any Revolving Credit Loan or at any time or times thereafter.

9.4 Actions in Discretion of Documentation Agent and Administrative Agent; Instructions from the Banks.

The Documentation Agent and the Administrative Agent each agrees, upon the written request of the Required Banks, to take or refrain from taking any action of the type specified as being within the Documentation Agent's or the Administrative Agent's rights, powers or discretion herein, provided that the Documentation Agent or Administrative Agent shall not be required to take any action which exposes the Documentation Agent or the Administrative Agent to personal liability or which is contrary to this Agreement or any other Loan Document or applicable Law. In the absence of a request by the Required Banks, the Documentation Agent or the Administrative Agent shall have authority, in its sole discretion, to take or not to take any such action, unless this Agreement specifically requires the consent of the Required Banks or all of the Banks. Any action taken or failure to act pursuant to such instructions or discretion shall be binding on the Banks, subject to Section 9.6. Subject to the provisions of Section 9.6, no Bank shall have any right of action whatsoever against the Administrative Agent as a result of the Documentation Agent or the Administrative Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Banks, or in the absence of such instructions, in the absolute discretion of the Documentation Agent or the Administrative Agent.

9.5 Reimbursement and Indemnification of Administrative Agent and Documentation Agent by the Borrower.

The Borrower unconditionally agrees to pay or reimburse the Administrative Agent and Documentation Agent and save the Administrative Agent and Documentation Agent harmless against (a) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements, including fees and expenses of counsel, appraisers and environmental consultants, incurred by the Administrative Agent and Documentation Agent (i) in connection with the development, negotiation, preparation, printing, execution, administration, syndication, interpretation and performance of this Agreement and the other Loan Documents, (ii) relating to any requested amendments, waivers or consents pursuant to the provisions hereof, (iii) in connection with the enforcement of this Agreement or any other Loan Document or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (iv) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, and (b) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, the Documentation Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Documentation Agent or the Administrative Agent hereunder or thereunder, provided that the Borrower shall not

be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements if the same results from the Documentation Agent's or Administrative Agent's gross negligence or willful misconduct, or if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. In addition, the Borrower agrees to reimburse and pay all reasonable out-of-pocket expenses of the Administrative Agent's regular employees and agents engaged to perform audits of the Loan Parties' books, records and business properties.

9.6 Exculpatory Provisions.

None of the Documentation Agent, the Administrative Agent, any Managing Agent, the Syndication Agent or any Issuing Letter of Credit Bank or any of their respective directors, officers, employees, agents, attorneys or Affiliates shall (a) be liable to any Bank for any action taken or omitted to be taken by it or them hereunder, or in connection herewith including pursuant to any Loan Document, unless caused by its or its respective directors, officers, employees, agents, attorneys or Affiliates own gross negligence or willful misconduct, (b) be responsible in any manner to any of the Banks for the effectiveness, enforceability, genuineness, validity or due execution of this Agreement or any other Loan Documents or for any recital, representation, warranty, document, certificate, report or statement herein or made or furnished under or in connection with this Agreement or any other Loan Documents, or (c) be under any obligation to any of the Banks to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions hereof or thereof on the part of the Loan Parties, or the financial condition of the Loan Parties, or the existence or possible existence of any Event of Default or Potential Default. None of the Documentation Agent, the Administrative Agent, any Managing Agent, the Syndication Agent or Issuing Letter of Credit Bank or any Bank or any of their respective directors, officers, employees, agents, attorneys or Affiliates shall be liable to any of the Loan Parties for consequential damages resulting from any breach of contract, tort or other wrong in connection with the negotiation, documentation, administration or collection of the Revolving Credit Loans or any of the Loan Documents.

9.7 Reimbursement and Indemnification by Banks of the Documentation Agent, the Managing Agents, the Syndication Agent and the Administrative Agent.

Each Bank agrees to reimburse and indemnify the Documentation Agent, the Administrative Agent, any Managing Agent, the Syndication Agent and any Issuing Letter of Credit Bank (to the extent not reimbursed by the Borrower and without limiting the Obligation of the Borrower to do so) in proportion to its Ratable Share from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or

asserted against the Documentation Agent, the Administrative Agent, any Managing Agent, the Syndication Agent or any Issuing Letter of Credit Bank in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Documentation Agent, the Administrative Agent, a Managing Agent, the Syndication Agent or any Issuing Letter of Credit Bank hereunder or thereunder, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (a) if the same results from the Documentation Agent's, Administrative Agent's, any Managing Agent's, the Syndication Agent's or any Issuing Letter of Credit Bank's gross negligence or willful misconduct, or (b) if such Bank was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that such Bank shall remain liable to the extent such failure to give notice does not result in a loss to the Bank), or (c) if the same results from a compromise and settlement agreement entered into without the consent of such Bank, which shall not be unreasonably withheld. In addition, each Bank agrees promptly upon demand to reimburse the Administrative Agent (to the extent not reimbursed by the Borrower and without limiting the Obligation of the Borrower to do so) in proportion to its Ratable Share for all amounts due and payable by the Borrower to the Administrative Agent in connection with the Administrative Agent's periodic audit of the Loan Parties' books, records and business properties.

9.8 Reliance by Documentation Agent, Administrative Agent, Managing Agents and Syndication Agent.

The Documentation Agent, the Administrative Agent, the Managing Agents, the Syndication Agent and the Issuing Letter of Credit Banks shall be entitled to rely upon any writing, telegram, telex or teletype message, resolution, notice, consent, certificate, letter, cablegram, statement, order or other document or conversation by telephone or otherwise believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon the advice and opinions of counsel and other professional advisers selected by the Administrative Agent. The Documentation Agent, the Administrative Agent, the Managing Agents, the Syndication Agent and the Issuing Letter of Credit Banks shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense (other than a liability or expense relating to gross negligence or willful misconduct) which may be incurred by it by reason of taking or continuing to take any such action.

9.9 Notice of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Potential Default or Event of Default unless the Administrative Agent has received written notice from a Bank or the Borrower referring to this Agreement, describing such Potential Default or Event of Default and stating that such notice is a "notice of default."

9.10 Notices.

The Administrative Agent and the Documentation Agent shall promptly send to each Bank a copy of all notices and other documents received from the Borrower pursuant to the provisions of this Agreement or the other Loan Documents promptly upon receipt thereof. The Administrative Agent shall promptly notify the Borrower and the other Banks of each change in the Base Rate and the effective date thereof.

9.11 Banks in Their Individual Capacities.

With respect to their Revolving Credit Commitments and the Revolving Credit Loans made by them, the Documentation Agent and the Administrative Agent shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not the Documentation Agent or the Administrative Agent, and the term "Banks" shall, unless the context otherwise indicates, include the Documentation Agent and the Administrative Agent in their individual capacity. The Documentation Agent and its Affiliates, the Administrative Agent and its Affiliates and each of the Banks and their respective Affiliates may, without liability to account, except as prohibited herein, make loans to, accept deposits from, discount drafts for, act as trustee under indentures of, and generally engage in any kind of banking or trust business with, the Loan Parties and their Affiliates, in the case of the Documentation Agent, as though it were not acting as Documentation Agent hereunder and in the case of each Bank, as though such Bank were not a Bank hereunder.

9.12 Holders of Revolving Credit Notes.

The Administrative Agent may deem and treat any payee of any Revolving Credit Note as the owner thereof for all purposes hereof unless and until written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent. Any request, authority or consent of any Person who at the time of making such request or giving such authority or consent is the holder of any Revolving Credit Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Revolving Credit Note or of any Revolving Credit Note or Revolving Credit Notes issued in exchange therefor.

9.13 Equalization of Banks.

The Banks and the holders of any participations in any Revolving Credit Notes agree among themselves that, with respect to all amounts received by any Bank or any such holder for application on any Obligation hereunder or under any Revolving Credit Note or under any such participation, whether received by voluntary payment, by realization upon security, by the exercise of the right of set-off or banker's lien, by counterclaim or by any other non-pro rata source, equitable adjustment will be made in the manner stated in the following sentence so that, in effect, all such excess amounts will be shared ratably among the Banks and such holders in proportion to their interests in payments under the Revolving Credit Notes, except as otherwise provided in Sections 3.4.2 or 4.6.1. The Banks or any such holder receiving any such amount

shall purchase for cash from each of the other Banks an interest in such Bank's Revolving Credit Loans in such amount as shall result in a ratable participation by the Banks and each such holder in the aggregate unpaid amount under the Revolving Credit Notes, provided that if all or any portion of such excess amount is thereafter recovered from the Bank or the holder making such purchase, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, together with interest or other amounts, if any, required by law (including court order) to be paid by the Bank or the holder making such purchase.

9.14 Successor Administrative and Documentation Agents.

The Administrative Agent (i) may resign as Administrative Agent or (ii) shall resign if such resignation is requested by the Required Banks (if the Administrative Agent is a Bank, the Administrative Agent's Revolving Credit Loans and its Commitment shall be considered in determining whether the Required Banks have requested such resignation) , in either case of (i) or (ii) by giving not less than thirty (30) days' prior written notice to the Borrower. The Documentation Agent may resign as Documentation Agent. If the Administrative Agent or Documentation Agent shall resign under this Agreement, then subject to the consent of the Borrower (which consent shall not be unreasonably withheld and which consent shall not be required during any period in which an Event of Default exists) either (a) the Required Banks shall appoint from among the Banks a successor administrative agent or documentation agent for the Banks, or (b) if a successor agent shall not be so appointed and approved within the thirty (30) day period following the Administrative Agent's notice or the Documentation Agent's notice to the Banks of its resignation, then the Administrative Agent or the Documentation Agent, as the case may be, shall appoint a successor administrative agent or documentation agent, as the case may be, who shall serve as Administrative Agent or Documentation Agent until such time as the Required Banks appoint a successor administrative agent or documentation agent. Upon its appointment, such successor administrative agent or documentation agent shall succeed to the rights, powers and duties of the Administrative Agent or the Documentation Agent, as the case may be, and the term "Administrative Agent" or "Documentation Agent" shall mean such successor effective upon its appointment, and the former Administrative Agent's or Documentation Agent's rights, powers and duties as Administrative Agent or Documentation Agent, as the case may be, shall be terminated without any other or further act or deed on the part of such former Administrative Agent or Documentation Agent or any of the parties to this Agreement. After the resignation of any Administrative Agent or Documentation Agent hereunder, the provisions of this Article 9 shall inure to the benefit of such former Administrative Agent or Documentation Agent and such former Administrative Agent or Documentation Agent shall not by reason of such resignation be deemed to be released from liability for any actions taken or not taken by it while it was an Administrative Agent or Documentation Agent under this Agreement.

9.15 Other Fees.

The Borrower shall pay to the Administrative Agent, the Managing Agents, the Syndication Agent and the Documentation Agent or their affiliates all fees and expenses due pursuant to that certain commitment letter dated March 25, 1996 among the Borrower and the various Agents and to that certain engagement letter dated March 25, 1996 between the Borrower and PNC Securities Corp in each case at the times set forth in such letters.

9.16 Availability of Funds.

Unless the Administrative Agent shall have been notified by a Bank prior to the date upon which a Revolving Credit Loan is to be made that such Bank does not intend to make available to the Administrative Agent such Bank's portion of such Revolving Credit Loan, the Administrative Agent may assume that such Bank has made or will make such proceeds available to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption (but shall not be required to), make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Bank, the Administrative Agent shall be entitled to recover such amount on demand from such Bank (or, if such Bank fails to pay such amount forthwith upon such demand from the Borrower) together with interest thereon, in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on the date the Administrative Agent recovers such amount, at a rate per annum equal to the Federal Funds Effective Rate.

9.17 Calculations.

In the absence of gross negligence or willful misconduct, the Administrative Agent shall not be liable for any error in computing the amount payable to any Bank whether in respect of the Revolving Credit Loans, fees or any other amounts due to the Banks under this Agreement. In the event an error in computing any amount payable to any Bank is made, the Administrative Agent, the Borrower and each affected Bank shall, forthwith upon discovery of such error, make such adjustments as shall be required to correct such error, and any compensation therefor will be calculated at the Federal Funds Effective Rate.

9.18 Beneficiaries.

Except as expressly provided herein, the provisions of this Article 9 are solely for the benefit of the Documentation Agent, the Administrative Agent, the Managing Agents, the Syndication Agent and the Banks, and the Loan Parties shall not have any rights to rely on or enforce any of the provisions hereof. In performing its functions and duties under this Agreement, the Administrative Agent shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any of the Loan Parties.

9.19 Absence of Duties of Managing Agents and Syndication Agent.

The Managing Agents and the Syndication Agent shall have no obligations or duties under this Agreement.

10. MISCELLANEOUS

10.1 Modifications, Amendments or Waivers.

With the written consent of the Required Banks, the Administrative Agent, acting on behalf of all the Banks, and the Borrower, on behalf of the Loan Parties, may from time to time enter into written agreements amending or changing any provision of this Agreement or any other Loan Document or the rights of the Banks or the Loan Parties hereunder or thereunder, or may grant written waivers or consents to a departure from the due performance of the Obligations of the Loan Parties hereunder or thereunder; provided, however, that the written consent of the Required Banks shall not be required with respect to the joinder of additional Loan Parties pursuant to Section 10.18. Any such agreement, waiver or consent made with such written consent shall be effective to bind all the Banks and the Loan Parties; provided, that, without the written consent of all the Banks, no such agreement, waiver or consent may be made which will:

10.1.1 Increase of Commitment; Extension or Expiration Date.

Increase the amount of the Revolving Credit Commitment of any Bank hereunder or extend the Expiration Date;

10.1.2 Extension of Payment; Reduction of Principal Interest or Fees; Modification of Terms of Payment.

Whether or not any Revolving Credit Loans are outstanding, extend the time for payment of principal or interest of any Revolving Credit Loan, the Commitment Fee or any other fee payable to any Bank, or reduce the principal amount of or the rate of interest borne by any Revolving Credit Loan or reduce the Commitment Fee or any other fee payable to any Bank, or otherwise affect the terms of payment of the principal of or interest of any Revolving Credit Loan, the Commitment Fee or any other fee payable to any Bank;

10.1.3 Release of Guarantor.

Release the Company or any Material Subsidiary from its Obligations under the Master Guaranty Agreement or any other security for any of the Loan Parties' Obligations; or

10.1.4 Miscellaneous

Amend Sections 4.2 [Pro Rata Treatment of Banks], 9.6 [Exculpatory Provisions] or 9.13 [Equalization of Banks] or this Section 10.1, alter any provision regarding the pro rata treatment of the Banks, change the definition of Required Banks, or change any requirement providing for the Banks or the Required Banks to authorize the taking of any action hereunder.

No agreement, waiver or consent which would modify the interests, rights or obligations of the Documentation Agent in its capacity as Documentation Agent, of the Administrative Agent in its capacity as Administrative Agent or of an Issuing Letter of Credit Bank in its capacity as the issuer of Letters of Credit shall be effective without the written consent of the Documentation Agent, the Administrative Agent or such Issuing Letter of Credit Bank, respectively.

10.2 No Implied Waivers; Cumulative Remedies; Writing Required.

No course of dealing and no delay or failure of the Documentation Agent, the Administrative Agent or any Bank in exercising any right, power, remedy or privilege under this Agreement or any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power, remedy or privilege preclude any further exercise thereof or of any other right, power, remedy or privilege. The rights and remedies of the Documentation Agent, the Administrative Agent, the Syndication Agent, the Managing Agents, the Issuing Letter of Credit Banks and the Banks under this Agreement and any other Loan Documents are cumulative and not exclusive of any rights or remedies which they would otherwise have. Any waiver, permit, consent or approval of any kind or character on the part of any Bank of any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

10.3 Reimbursement and Indemnification of Banks by the Borrower; Taxes.

The Borrower agrees unconditionally upon demand to pay or reimburse to each Bank (other than the Administrative Agent, as to which the Borrower's Obligations are set forth in Section 9.5) and to save such Bank harmless against (i) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements (including fees and expenses of counsel for each Bank except with respect to (a) and (b) below), incurred by such Bank (a) in connection with the administration and interpretation of this Agreement, and other instruments and documents to be delivered hereunder, (b) relating to any amendments, waivers or consents pursuant to the provisions hereof, (c) in connection with the enforcement of this Agreement or any other Loan Document, or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (d) in any workout or restructuring or

in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, or (ii) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Bank, in its capacity as such, in any way relating to or arising out of this Agreement (including without limitation Section 4.6.2) or any other Loan Documents or any action taken or omitted by such Bank hereunder or thereunder, provided that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (A) if the same results from such Bank's gross negligence or willful misconduct, or (B) if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or (C) if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. The Banks will attempt to minimize the fees and expenses of legal counsel for the Banks which are subject to reimbursement by the Borrower hereunder by considering the usage of one law firm to represent the Banks and the Administrative Agent if appropriate under the circumstances. The Borrower agrees unconditionally to pay all stamp, documentary, transfer, recording or filing taxes or fees and similar impositions now or hereafter determined by the Administrative Agent or any Bank to be payable in connection with this Agreement or any other Loan Document, and the Borrower agrees unconditionally to save the Administrative Agent and the Banks harmless from and against any and all present or future claims, liabilities or losses with respect to or resulting from any omission to pay or delay in paying any such taxes, fees or impositions.

10.4 Holidays.

Whenever any payment or action to be made or taken hereunder shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day (except as provided in Section 3.2.1 with respect to Interest Periods under the Revolving Credit Euro-Rate Option), and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

10.5 Funding by Branch, Subsidiary or Affiliate.

10.5.1 Notional Funding.

Each Bank shall have the right from time to time, without notice to the Borrower, to deem any branch, Subsidiary or Affiliate (which for the purposes of this Section 10.5 shall mean any corporation or association which is directly or indirectly controlled by or is under direct or indirect common control with any corporation or association which directly or indirectly controls such Bank) of such Bank to have made, maintained or funded any Revolving Credit Loan to which the Revolving Credit Euro-Rate Option applies at any time,

provided that immediately following (on the assumption that a payment were then due from the Borrower to such other office), and as a result of such change, the Borrower would not be under any greater financial obligation pursuant to Section 4.6 than it would have been in the absence of such change. Notional funding offices may be selected by each Bank without regard to such Bank's actual methods of making, maintaining or funding the Revolving Credit Loans or any sources of funding actually used by or available to such Bank; and

10.5.2 Actual Funding.

Each Bank shall have the right from time to time to make or maintain any Revolving Credit Loan by arranging for a branch, Subsidiary or Affiliate of such Bank to make or maintain such Revolving Credit Loan subject to the last sentence of this Section 10.5.2. If any Bank causes a branch, Subsidiary or Affiliate to make or maintain any part of the Revolving Credit Loans hereunder, all terms and conditions of this Agreement shall, except where the context clearly requires otherwise, be applicable to such part of the Revolving Credit Loans to the same extent as if such Revolving Credit Loans were made or maintained by such Bank, but in no event shall any Bank's use of such a branch, Subsidiary or Affiliate to make or maintain any part of the Revolving Credit Loans hereunder cause such Bank or such branch, Subsidiary or Affiliate to incur any cost or expenses payable by the Borrower hereunder or require the Borrower to pay any other compensation to any Bank (including any expenses incurred or payable pursuant to Section 4.6) which would otherwise not be incurred.

10.6 Notices.

All notices, requests, demands, directions and other communications (as used in this Section 10.6, collectively referred to as "notices") given to or made upon any party hereto under the provisions of this Agreement shall be by telephone or in writing (including telex or facsimile communication) unless otherwise expressly permitted hereunder and shall be delivered or sent by telex or facsimile to the respective parties at the addresses and numbers set forth under their respective names on the signature pages hereof or in accordance with any subsequent unrevoked written direction from any party to the others. All notices shall, except as otherwise expressly herein provided, be effective (a) in the case of telex or facsimile, when received, (b) in the case of hand-delivered notice, when hand-delivered, (c) in the case of telephone, when telephoned, provided, however, that in order to be effective, telephonic notices must be confirmed in writing no later than the next day by letter, facsimile or telex, (d) if given by mail, four (4) days after such communication is deposited in the mail with first-class postage prepaid, return receipt requested, and (e) if given by any other means (including by air courier), when delivered; provided, that notices to the Administrative Agent shall not be effective until received. Any Bank giving any notice to any Loan Party shall simultaneously send a copy thereof to the Administrative Agent, and the Administrative Agent shall promptly notify the other Banks of the receipt by it of any such notice.

10.7 Severability.

The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

10.8 Governing Law.

Each Letter of Credit and Section 2.9 shall be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be revised or amended from time to time, and to the extent not inconsistent therewith, the internal laws of the New York without regard to its conflict of laws principles and the balance of this Agreement shall be deemed to be a contract under the Laws of the Ohio and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the State of Ohio without regard to its conflict of laws principles.

10.9 Prior Understanding.

This Agreement and the other documents and instruments executed in connection herewith supersede all prior understandings and agreements, whether written or oral, between the parties hereto and thereto relating to the transactions provided for herein and therein, including any prior confidentiality agreements and commitments.

10.10 Duration; Survival.

All representations and warranties of the Loan Parties contained herein or made in connection herewith shall survive the making of Revolving Credit Loans and issuance of Letters of Credit and shall not be waived by the execution and delivery of this Agreement, any investigation by the Administrative Agent, the Documentation Agent, the Syndication Agent, the Managing Agents, the Issuing Letter of Credit Banks or the Banks, the making of Revolving Credit Loans, issuance of Letters of Credit, or payment in full of the Revolving Credit Loans. All covenants and agreements of the Loan Parties contained in Sections 7.1, 7.2 and 7.3 shall continue in full force and effect from and after the date hereof so long as the Borrower may borrow or request Letters of Credit hereunder and until termination of the Revolving Credit Commitments, repayment of all Revolving Credit Loans and expiration or termination of all Letters of Credit. All covenants and agreements of the Borrower contained herein relating to the payment of principal, interest, premiums, additional compensation or expenses and indemnification, including those set forth in the Revolving Credit Notes, Article 4 and Sections 9.5, 9.7 and 10.3, shall survive payment in full of the Revolving Credit Loans, expiration or termination of the Letters of Credit and termination of the Revolving Credit Commitments.

10.11 Successors and Assigns.

This Agreement shall be binding upon and shall inure to the benefit of the Banks, the Documentation Agent, the Administrative Agent, the Syndication Agent, the Managing Agents, the Issuing Letter of Credit Banks, the Loan Parties and their respective successors and assigns, except that none of the Loan Parties may assign or transfer any of its rights and Obligations hereunder or any interest herein without consent of all Banks. Each Bank may, at its own cost, make assignments of all or any part of its Revolving Credit Commitment and Revolving Credit Loans and its Ratable Share of Letter of Credit Outstandings to one or more banks or other entities, subject to the consent of the Borrower (which consent shall not be required during any period in which an Event of Default exists), the Issuing Letter of Credit Banks and the Administrative Agent with respect to any assignee, such consents not to be unreasonably withheld, and provided that assignments may not be made in amounts less than \$ 10,000,000. Each Bank may, at its own cost, grant participations in all or any part of its Revolving Credit Commitment and the Revolving Credit Loans made by it and of its Ratable Share of Letter of Credit Outstandings to one or more banks or other entities, without the consent of any party hereto. In the case of an assignment, upon receipt by the Administrative Agent of the Assignment and Assumption Agreement, the assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights, benefits and obligations as it would have if it had been a signatory Bank hereunder, the Commitments in Section 2.1 shall be adjusted accordingly, and upon surrender of any Revolving Credit Note subject to such assignment, the Borrower shall execute and deliver a new Revolving Credit Note to the assignee in an amount equal to the amount of the Revolving Credit Commitment assumed by it and a new Revolving Credit Note to the assigning Bank in an amount equal to the Revolving Credit Commitment retained by it hereunder. Any assigning Bank shall pay to the Administrative Agent a service fee in the amount of \$3,500 for each assignment, which amount shall not be subject to reimbursement or indemnification by the Borrower. In the case of a participation, the participant shall only have the rights specified in Section 8.2.3 (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto and not to include any voting rights except with respect to changes of the type referenced in Sections 10.1.1, 10.1.2, and 10.1.3), all of such Bank's obligations under this Agreement or any other Loan Document shall remain unchanged, and all amounts payable by any Loan Party hereunder or thereunder shall be determined as if such Bank had not sold such participation. Any assignee or participant which is not incorporated under the Laws of the United States of America or a state thereof shall deliver to the Borrower and the Administrative Agent the form of certificate described in Section 10.17 relating to federal income tax withholding. Each Bank may furnish any publicly available information concerning any Loan Party or its Subsidiaries and any other information concerning any Loan Party or its Subsidiaries in the possession of such Bank from time to time to assignees and participants (including prospective assignees or participants), provided that such assignees and participants agree to be bound by the provisions of Section 10.12.

10.12 Confidentiality.

The Documentation Agent, the Administrative Agent and the Banks each agree to keep confidential all information obtained from any Loan Party or its Subsidiaries which is nonpublic and confidential or proprietary in nature (including any information the Borrower specifically designates as confidential), except as provided below, and to use such information only in connection with their respective capacities under this Agreement and for the purposes contemplated hereby. The Documentation Agent, the Administrative Agent and the Banks shall be permitted to disclose such information (i) to outside legal counsel, accountants and other professional advisors who need to know such information in connection with the administration and enforcement of this Agreement and who are notified that the information is to be treated as confidential, (ii) to assignees and participants as contemplated by Section 10.11, (iii) to the extent requested by any bank regulatory authority or, with notice to the Borrower if not prohibited, as otherwise required by applicable Law or by any subpoena or similar legal process, or in connection with any investigation or proceeding arising out of the transactions contemplated by this Agreement, (iv) if it becomes publicly available other than as a result of a breach of this Agreement or becomes available from a source not known to be subject to confidentiality restrictions, (v) if the Borrower shall have consented to such disclosure, or (vi) after notice to the Borrower unless the Borrower is an adverse party in such litigation, in connection with any litigation to which any Bank is a party the subject matter of which involves this Agreement or is deemed necessary upon the advice of legal counsel of such Bank by such Bank in any defense of such litigation.

10.13 Counterparts.

This Agreement may be executed by different parties hereto on any number of separate counterparts, including facsimiles, each of which, when so executed and delivered, shall be an original, and all such counterparts shall together constitute one and the same instrument.

10.14 Documentation Agent's or Bank's Consent.

Whenever the Documentation Agent's, the Administrative Agent's any Managing Agent's, the Syndication Agent's, any Issuing Letter of Credit Bank's or any Bank's consent is required to be obtained under this Agreement or any of the other Loan Documents as a condition to any action, inaction, condition or event, the Documentation Agent, the Administrative Agent each Managing Agent, the Syndication Agent, each Issuing Letter of Credit Bank and each Bank shall be authorized to give or withhold such consent in its sole and absolute discretion and to condition its consent upon the giving of additional collateral, the payment of money or any other matter.

10.15 Exceptions.

The representations, warranties and covenants contained herein shall be independent of each other, and no exception to any representation, warranty or covenant shall be

deemed to be an exception to any other representation, warranty or covenant contained herein unless expressly provided, nor shall any such exceptions be deemed to permit any action or omission that would be in contravention of applicable Law.

10.16 CONSENT TO FORUM; WAIVER OF JURY TRIAL.

EACH LOAN PARTY HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF THE COURT OF COMMON PLEAS OF FRANKLIN COUNTY AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO, AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO SUCH LOAN PARTY AT THE ADDRESSES PROVIDED FOR IN SECTION 10.6 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF. EACH LOAN PARTY WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED AGAINST IT AS PROVIDED HEREIN AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE OR INCONVENIENT FORUM. EACH LOAN PARTY, THE ADMINISTRATIVE AGENT AND THE BANKS HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE COLLATERAL TO THE FULL EXTENT PERMITTED BY LAW.

10.17 Tax Withholding Clause.

Each Bank or assignee or participant of a Bank that is not incorporated under the Laws of the United States of America or a state thereof agrees that it will deliver to each of the Borrower and the Administrative Agent two (2) duly completed copies of the following: (i) Internal Revenue Service Form W-9, 4224 or 1001, or other applicable form prescribed by the Internal Revenue Service, certifying that such Bank, assignee or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes, or is subject to such tax at a reduced rate under an applicable tax treaty, or (ii) Internal Revenue Service Form W-8 or other applicable form or a certificate of such Bank, assignee or participant indicating that no such exemption or reduced rate is allowable with respect to such payments. Each Bank, assignee or participant required to deliver to the Borrower and the Documentation Agent a form or certificate pursuant to the preceding sentence shall deliver such form or certificate as follows: (A) each Bank which is a party hereto on the Closing Date shall deliver such form or certificate at least five (5) Business Days prior to the first date on which any interest or fees are payable by the Borrower hereunder for the account of such Bank; (B) each assignee or participant shall deliver such form or certificate at least five (5) Business Days before the effective date of such assignment or participation (unless the Documentation Agent in its sole discretion shall permit such assignee or

participant to deliver such form or certificate less than five (5) Business Days before such date in which case it shall be due on the date specified by the Documentation Agent). Each Bank, assignee or participant which so delivers a Form W-8, W-9, 4224 or 1001 further undertakes to deliver to each of the Borrower and the Documentation Agent two (2) additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Documentation Agent, either certifying that such Bank, assignee or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes or is subject to such tax at a reduced rate under an applicable tax treaty or stating that no such exemption or reduced rate is allowable. The Documentation Agent shall be entitled to withhold United States federal income taxes at the full withholding rate unless the Bank, assignee or participant establishes an exemption or that it is subject to a reduced rate as established pursuant to the above provisions.

10.18 Joinder of Guarantors.

Any Subsidiary of the Borrower which is required to join the Master Guaranty Agreement pursuant to Section 7.2.9 shall execute and deliver to the Documentation Agent a signature page to the Master Guaranty Agreement and to the Master Intercompany Subordination Agreement. The Loan Parties shall deliver such Guarantor Joinder to the Documentation Agent within five (5) Business Days after the date of the filing of such Subsidiary's articles of incorporation if the Subsidiary is a corporation, the date of the filing of its certificate of limited partnership if it is a limited partnership or the date of its organization if it is an entity other than a limited partnership or corporation or, if acquired, the date of acquisition.

IN WITNESS WHEREOF, the parties hereto, by their officers
thereunto duly authorized, have executed this Agreement as of the day and year
first above written.

ATTEST:

CONSOLIDATED STORES CORPORATION,

Borrower

By:

Title:

[Seal]

Address for Notices:

Telecopier No. () -

Attention: -----

Telephone No. () -

NATIONAL CITY BANK OF
COLUMBUS, as Administrative Agent, as
Managing Agent and as a Bank

By: _____
Title: _____

Address for Notices:

Telecopier No. () -

Attention: _____
Telephone No. () -

NATIONAL CITY BANK, as
Managing Agent and as a Bank

By: _____
Title: _____

Address for Notices:

Telecopier No. () -

Attention: _____
Telephone No. () -

BANK ONE, COLUMBUS, N.A., as
Managing Agent and as a Bank

By: _____
Title: _____
Address for Notices:

Telecopier No. () -

Attention: _____
Telephone No. () -

PNC BANK, OHIO, NATIONAL
ASSOCIATION, as Documentation Agent,
Managing Agent and as a Bank

By: _____
Title: _____

Address for Notices:

Telecopier No. () -

Attention: _____

Telephone No. () -

THE BANK OF NEW YORK, as
Syndication Agent, as Managing Agent and
as a Bank

By: _____
Title: _____

Address for Notices:

Telecopier No. () -
 ____ ____ _____
Attention: _____
Telephone No. () -
 ____ ____ _____

EXHIBIT 1.1(A)

FORM OF

ASSIGNMENT AND ASSUMPTION AGREEMENT

Reference is made to the Credit Agreement dated as of May 3, 1996 (as amended, restated, supplemented or modified from time to time, the "Credit Agreement") among Consolidated Stores Corporation, an Ohio corporation (the "Borrower"), the Banks (as defined in the Credit Agreement), 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. Unless otherwise defined herein, terms defined in the Credit Agreement are used herein with the same meanings.

_____ (the "Assignor") and
_____ (the "Assignee"), intending to be legally bound hereby,
make this Assignment and Assumption Agreement this ____ day of _____, ____
and hereby agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, WITHOUT RECOURSE to the Assignor, a _____ percent (____%) interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the Effective Date (as defined below), including without limitation, such percentage interest in the Assignor's Revolving Credit Commitment as in effect on the Effective Date, the Revolving Credit Loans owing to the Assignor on the Effective Date, the Assignor's Ratable Share of the Letter of Credit Outstandings on the Effective Date and the Revolving Credit Note evidencing the outstanding Revolving Credit Loans held by the Assignor.

2. The Assignor (i) represents and warrants that, as of the date hereof, its Revolving Credit Commitment is \$ _____ and the unpaid principal amount of the Revolving Credit Loans owing to the Assignor is \$ _____; (ii) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim created by it; (iii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant thereto, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant thereto; (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or any other Loan Party, or the performance or observance by the Borrower or any other Loan Party of any of its obligations under the Credit Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant thereto; and (v) attaches the Revolving Credit Note referred to in paragraph 1 above and requests that the Administrative Agent exchange such Revolving Credit Note for new Revolving Credit Note as follows:

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements (if any) referred to in Sections 5.1.9, 7.3.1 and 7.3.2 of the Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption Agreement; (ii) agrees that it will, independently and without reliance upon the Administrative Agent, the Documentation Agent, the Syndication Agent, any Managing Agent, the Assignor or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) appoints and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers under the Loan Documents as are delegated to the Administrative Agent by the terms thereof; (iv) agrees that it will become a party to and be bound by the Credit Agreement on the Effective Date (including without limitation the provisions of Section 10.11) as if it were an original Bank thereunder, and will have the rights and obligations of a Bank thereunder, and will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank; and (v) specifies as its address for notices the office set forth beneath its name on the signature pages hereof.

4. The effective date of this Assignment and Assumption Agreement shall be _____, _____ (the "Effective Date"). Following the execution of this Assignment and Assumption Agreement in accordance with the Credit Agreement, it will be delivered to the Administrative Agent for acceptance and recording by the Administrative Agent.

5. Upon such acceptance and recording, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Assumption Agreement, have the rights and obligations of a Bank thereunder and under the other Loan Documents, and (ii) the Assignor shall, to the extent provided in this Assignment and Assumption Agreement, relinquish its rights and be released from its obligations under the Credit Agreement except pursuant to Sections 4.6 and 10.3 thereof, and the Commitments of the Assignor and the Assignee shall be as set forth in Schedule I hereto.

6. Upon such acceptance and recording, from and after the Effective Date, the Administrative Agent shall make all payments under the Credit Agreement and the Assignor's Revolving Credit Note in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest, Commitment Fees and Letter of Credit Fees with respect thereto) to the Assignee. The Assignor and the Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Assignor's Revolving Credit Note for periods prior to the Effective Date directly between themselves.

7. The Assignor makes this assignment to the Assignee in consideration of the payment by the Assignee to the Assignor of the amount previously agreed, receipt of which is hereby acknowledged by the Assignee.

8. This Assignment and Assumption Agreement shall be governed by and construed in accordance with the internal laws of the State of Ohio, without reference to its conflict of laws principles.

9. If required by Section 10.11 of the Credit Agreement, the Assignor has paid to the Administrative Agent the \$3,500 fee contemplated in such Section.

[NAME OF ASSIGNOR]

By:

Name:

Title:

[NAME OF ASSIGNEE]

By:

Name:

Title:

Notice Address:

Attention:

Telephone No.:

Telecopier No.:

121
CONSENTED TO this ____ day of _____, ____.

NATIONAL CITY BANK OF COLUMBUS

as Administrative Agent

By: _____
Name: _____
Title: _____

CONSOLIDATED STORES CORPORATION

By: _____
Name: _____
Title: _____

_____,
as Issuing Letter of Credit Bank
By: _____
Name: _____
Title: _____

_____,
as Issuing Letter of Credit Bank
By: _____
Name: _____
Title: _____

SCHEDULE I

	Amount of Commitment for Revolving Credit Loans as of the Effective Date	Amount of Revolving Credit Loans held as of the Effective Date
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[Assignor]	\$_____	\$_____
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[Assignor]	\$_____	\$_____
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EXHIBIT 1.1(G)(2)

FORM OF

MASTER
GUARANTY AND SURETYSHIP AGREEMENT

This Master Guaranty and Suretyship Agreement (the "Agreement") dated as of May 3, 1996, is made and given by the undersigned signatories identified in Schedule 1 attached hereto and made a part hereof (each a "Guarantor" and collectively, the "Guarantors"), in favor of the Banks (as defined in that certain Credit Agreement dated as of even date herewith among The Bank of New York, in its capacity as Syndication Agent and as Managing Agent (the "Syndication Agent"), National City Bank of Columbus, in its capacity as Administrative Agent and as Managing Agent (the "Administrative Agent"), PNC Bank, Ohio, National Association, in its capacity as Arranger, as Documentation Agent and as Managing Agent (the "Documentation Agent"), Bank One, Columbus, N.A., in its capacity as Managing Agent ("Bank One") and National City Bank, in its capacity as Managing Agent ("NCB"), the Banks party thereto, and Consolidated Stores Corporation, an Ohio corporation (the "Borrower"), as it may from time to time be amended, restated, modified or supplemented, the "Credit Agreement").

W I T N E S S E T H:

WHEREAS, the Borrower has entered into the Credit Agreement with the Documentation Agent, the Syndication Agent, the Administrative Agent, Bank One and NCB (collectively, the "Agents") and the Banks; and

WHEREAS, this Agreement is made by the Guarantors, among other things, to comply with the requirements of the Credit Agreement; and

WHEREAS, the Borrower is a Subsidiary of Consolidated Stores Corporation, a Delaware corporation (the "Parent"), and the Guarantors (other than the Parent and TRO, Inc.) are each a Subsidiary of the Borrower; and

WHEREAS, the respective businesses and investments of the Guarantors are interdependent and extensions of credit made to the Borrower under the Credit Agreement are with the expectation that the profits and other opportunities from such extensions of credit will directly or indirectly inure to the benefit of each Guarantor and to all of them taken as an affiliated group;

NOW, THEREFORE, in consideration of the premises, and intending to be legally bound, the Guarantors hereby agree as follows:

ARTICLE I
DEFINITIONS

1.01. Definitions. Capitalized terms used herein and not otherwise defined herein shall have such meanings as given to them in the Credit Agreement. In addition to the other terms defined elsewhere in this Agreement, the following term shall have the following meaning:

"Guaranteed Obligations" shall mean all Obligations from time to time of the Borrower to the Agents and the Banks under or in connection with the Credit Agreement or any other Loan Document, whether for principal, interest, fees, indemnities, expenses or otherwise, and all refinancings or refundings thereof, whether such Obligations are direct or indirect, otherwise secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising (specifically including but not limited to Obligations arising or accruing after the commencement of any bankruptcy, insolvency, reorganization or similar proceeding with respect to the Borrower or any other individual or entity (a "Person") including any Guarantor or which would have arisen or accrued but for the commencement of such proceeding, even if the claim for such Obligation is not enforceable or allowable in such proceeding). Without limitation of the foregoing, such Obligations include all Obligations arising from any extensions of credit under or in connection with the Loan Documents from time to time, regardless of whether any such extensions of credit are in excess of the amount committed under or contemplated by the Loan Documents or are made in circumstances in which any condition to extension of credit is not satisfied. Without limitation of the foregoing, the Agents and the Banks (or any successive assignee or transferee) from time to time may, subject to the provisions of the Credit Agreement, assign or otherwise transfer all of their respective rights and obligations under the Loan Documents (including, without limitation, all of any commitment to extend credit), or any other Guaranteed Obligations, to any other Person, and such Guaranteed Obligations (including, without limitation, any Guaranteed Obligations resulting from any extension of credit by such other Person under or in connection with the Loan Documents) assigned or otherwise transferred in accordance with the terms of the Credit Agreement shall be and remain Guaranteed Obligations entitled to the benefit of this Agreement.

ARTICLE II
GUARANTY AND SURETYSHIP

2.01 Guaranty and Suretyship. The Guarantors jointly and severally hereby absolutely, unconditionally and irrevocably guarantee and become surety for the full and punctual payment and performance of the Guaranteed Obligations as and when such payment or performance shall become due (at scheduled maturity, by acceleration or otherwise) in accordance with the terms of the Loan Documents provided, however, as to any Guarantor the maximum amount of its guaranty or surety hereunder shall be equal to its net worth on the due date for such payment or performance. This Agreement is an agreement of suretyship as well as

of guaranty, is a guarantee of payment and performance and not merely of collectibility, and is in no way conditioned upon any attempt to collect from or proceed against the Borrower or any other Person or any other event or circumstance. The obligations of the Guarantors under this Agreement are direct and primary obligations of each Guarantor and are independent of the Guaranteed Obligations, and a separate action or actions may be brought against any one or more of the Guarantors regardless of whether action is brought against the Borrower, any other Guarantor or any other Person or whether the Borrower, any other Guarantor or any other Person is joined in any such action or actions.

2.02 Obligations Absolute. The Guarantors agree that the Guaranteed Obligations will be paid and performed strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting the Guaranteed Obligations, any of the terms of the Loan Documents or the rights of the Agent and the Banks or any other Person with respect thereto. The obligations of the Guarantors under this Agreement shall be absolute, unconditional and irrevocable, irrespective of any of the following:

(a) Any lack of genuineness, legality, validity, enforceability or allowability (in a bankruptcy, insolvency, reorganization or similar proceeding, or otherwise), or any avoidance or subordination, in whole or in part, of any Loan Document or any of the Guaranteed Obligations.

(b) Any increase, decrease or change in the amount, nature, type or purpose of any of the Guaranteed Obligations (whether or not contemplated by the Loan Documents as presently constituted); any change in the time, manner, method or place of payment or performance of, or in any other term of, any of the Guaranteed Obligations; any execution or delivery of any additional Loan Documents; or any amendment, modification or supplement to, or refinancing or refunding of, any Loan Document or any of the Guaranteed Obligations.

(c) Any failure to assert any breach of or default under any Loan Document or any of the Guaranteed Obligations; any extensions of credit in excess of the amount committed under or contemplated by the Loan Documents, or in circumstances in which any condition to such extensions of credit has not been satisfied; any other exercise or non-exercise, or any other failure, omission, breach, default, delay or wrongful action in connection with any exercise or non-exercise, of any right or remedy against the Borrower or any other Person under or in connection with any Loan Document or any of the Guaranteed Obligations; any refusal of payment or performance of any of the Guaranteed Obligations, whether or not with any reservation of rights against any Guarantor; or any application of collections (including but not limited to collections resulting from realization upon any direct or indirect security for the Guaranteed Obligations) to other obligations, if any, not entitled to the benefits of this Agreement, in preference to Guaranteed Obligations entitled to the benefits of this Agreement, or if any collections are applied to Guaranteed Obligations, any application to particular Guaranteed Obligations.

(d) Any taking, exchange, amendment, modification, supplement, termination, subordination, release, loss or impairment of, or any failure to protect, perfect, or preserve the value of, or any enforcement of, realization upon, or exercise of rights, or remedies under or in connection with, or any failure, omission, breach, default, delay or wrongful action by the Agents and the Banks, or any of them, or any other Person in connection with the enforcement of, realization upon, or exercise of rights or remedies under or in connection with, or any other action or inaction by the Agents and the Banks, or any of them, or any other Person in respect of, any direct or indirect security for any of the Guaranteed Obligations. As used in this Agreement, "direct or indirect security" for the Guaranteed Obligations, and similar phrases, includes but is not limited to any collateral security, guaranty, suretyship, letter of credit, capital maintenance agreement, put option, subordination agreement or other right or arrangement of any nature providing direct or indirect assurance of payment or performance of any of the Guaranteed Obligations, made by or on behalf of any Person.

(e) Any merger, consolidation, liquidation, dissolution, winding-up, charter revocation or forfeiture of, or other change in, or any restructuring or termination of the corporate structure or existence of, the Borrower or any other Person; any bankruptcy, insolvency, reorganization or similar proceeding with respect to the Borrower or any other Person; or any action taken or election made by the Agents and the Banks, or any of them (including but not limited to any election under Section 1111(b)(2) of the United States Bankruptcy Code), the Borrower or any other Person in connection with any such proceeding.

(f) Any defense, setoff or counterclaim (excluding only the defense of full, strict and indefeasible payment and performance), which may at any time be available to or be asserted by the Borrower, any Guarantor or any other Person with respect to any Loan Document or any of the Guaranteed Obligations; or any discharge by operation of law or release of the Borrower, any Guarantor or any other Person from the performance or observance of any Loan Document or any of the Guaranteed Obligations.

(g) Any other event or circumstance, whether similar or dissimilar to the foregoing, and whether known or unknown, which might otherwise constitute a defense available to, or limit the liability of or discharge, any Guarantor, a guarantor or a surety, excepting only full, strict and indefeasible payment and performance of the Guaranteed Obligations in full.

2.03. Waivers, etc. The Guarantors hereby waive any defense to or limitation on their obligations under this Agreement arising out of or based on any event or circumstance referred to in Section 2.02 hereof. Without limitation and to the full extent permitted by applicable law, the Guarantors waive each of the following:

(a) All notices, disclosures and demands of any nature which otherwise might be required from time to time to preserve intact any rights against any Guarantor, including without limitation the following: any notice of any event or circumstance described in Section 2.02 hereof; any notice required by any law, regulation or order now or hereafter in effect in any jurisdiction; any presentment, notice of nonpayment, nonperformance,

dishonor, or protest under any Loan Document or any of the Guaranteed Obligations; any notice of the incurrence of any Guaranteed Obligation; any notice of any default or any failure on the part of the Borrower or any other Person to comply with any Loan Document or any of the Guaranteed Obligations or any direct or indirect security for any of the Guaranteed Obligations; and any notice of any information pertaining to the business, operations, condition (financial or otherwise) or prospects of the Borrower or any other Person.

(b) Any right to any marshalling of assets, to the filing of any claim against the Borrower or any other Person in the event of any bankruptcy, insolvency, reorganization or similar proceeding, or to the exercise against the Borrower or any other Person of any other right or remedy under or in connection with any Loan Document or any of the Guaranteed Obligations or any direct or indirect security for any of the Guaranteed Obligations; any requirement of promptness or diligence on the part of the Agents and the Banks, or any of them, or any other Person; any requirement to exhaust any remedies under or in connection with, or to mitigate the damages resulting from default under, any Loan Document or any of the Guaranteed Obligations or any direct or indirect security for any of the Guaranteed Obligations; any benefit of any statute of limitations; and any requirement of acceptance of this Agreement, and any requirement that any Guarantor receive notice of such acceptance.

(c) Any defense or other right arising by reason of any law now or hereafter in effect in any jurisdiction pertaining to election of remedies (including but not limited to anti-deficiency laws, "one action" laws or the like), or by reason of any election of remedies or other action or inaction by the Agents and the Banks, or any of them (including but not limited to commencement or completion of any judicial proceeding or nonjudicial sale or other action in respect of collateral security for any of the Guaranteed Obligations), which results in denial or impairment of the right of the Agents and the Banks, or any of them, to seek a deficiency against the Borrower or any other Person or which otherwise discharges or impairs any of the Guaranteed Obligations.

(d) Notwithstanding any payment or payments made by each Guarantor hereunder, or any set-off or application of funds of such Guarantor by any Agent or any Bank, such Guarantor shall not be entitled to be subrogated to any of the rights of any Agent or any Bank against the Borrower or against any collateral security or guarantee or right of offset held by any Agent or any Bank for the payment of the Guaranteed Obligations, nor shall such Guarantor seek any reimbursement from the Borrower in respect of payments made by such Guarantor hereunder, until all amounts owing to the Agents and the Banks by the Borrower on account of the Guaranteed Obligations are paid in full and the Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Agents and the Banks, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Administrative Agent in the exact form received by such Guarantor (duly endorsed by such Guarantor to the Administrative Agent, if required), to be applied against the Guaranteed Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine.

2.04. Reinstatement. This Agreement shall continue to be effective, or be automatically reinstated, as the case may be, if at any time payment of any of the Guaranteed Obligations is avoided, rescinded or must otherwise be returned by the Agents and the Banks, or any of them, for any reason (including, without limitation, by reason of such payment being a preference, fraudulent transfer or fraudulent conveyance), all as though such payment had not been made.

2.05. No Stay. Without limitation of any other provision of this Agreement, if any declaration of default or acceleration or other exercise or condition to exercise of rights or remedies under or with respect to any Guaranteed Obligation shall at any time be stayed, enjoined or prevented for any reason (including but not limited to stay or injunction resulting from the pendency against the Borrower or any other Person of a bankruptcy, insolvency, reorganization or similar proceeding), the Guarantors agree that, for the purposes of this Agreement and their obligations hereunder, the Guaranteed Obligations shall be deemed to have been declared in default or accelerated, and such other exercise or conditions to exercise shall be deemed to have been taken or met.

2.06. Payments. All payments to be made by any Guarantor pursuant to this Agreement shall be made without setoff, counterclaim, or other deduction of any nature.

2.07. Continuing Guaranty. This Agreement is a continuing agreement and shall continue in full force and effect (notwithstanding that no Guaranteed Obligations may be outstanding from time to time, or any other event or circumstance) until all Guaranteed Obligations and all other amounts payable under this Agreement have been paid and performed in full, and all commitments to extend credit under the Loan Documents have terminated, subject in any event to reinstatement in accordance with Section 2.04 hereof. Any purported termination, revocation or discharge of this Agreement (other than in accordance with the preceding sentence) shall be void and of no effect. For purposes of this Agreement the Guaranteed Obligations shall not be deemed to have been paid in full until the Agents and the Banks shall have indefeasibly received payment of the Guaranteed Obligations in full and in cash and all commitments to extend credit under the Loan Documents have terminated.

ARTICLE III REPRESENTATIONS AND WARRANTIES

Each Guarantor hereby represents and warrants to the Agents and the Banks with respect to itself as follows:

3.01. No Conditions Precedent. There are no conditions precedent to the effectiveness of this Guaranty that have not been satisfied or waived.

3.02. No Reliance. Each Guarantor has, independently and without reliance upon the Agents and the Banks, or any of them, and based upon such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

3.03. Representations and Warranties Remade at Each Extension of Credit. Each request (including any deemed request) by the Borrower for any extension of credit under the Credit Agreement shall be deemed to constitute a representation and warranty by each Guarantor to the Agent and the Banks that the representations and warranties made by each Guarantor in this Agreement are true and correct on and as of the date of such request with the same effect as though made on and as of such date. Failure by the Agents and the Banks to receive notice from any Guarantor to the contrary before the Agents and the Banks make any extension of credit under any Loan Document shall constitute a further representation and warranty by such Guarantor to the Agents and the Banks that the representations and warranties made by the Borrower are true and correct on and as of the date of such extension of credit with the same effect as though made on and as of such date.

ARTICLE IV MISCELLANEOUS

4.01. Amendments, etc. No amendment to or waiver of any provision of this Agreement, and no consent to any departure by any Guarantor herefrom, shall in any event be effective unless in a writing manually signed by or on behalf of the Administrative Agent and, in the case of an amendment, each of the Guarantors. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

4.02. No Implied Waiver; Remedies Cumulative. No delay or failure of the Agents and the Banks, or any of them, in exercising any right or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies of the Agents and the Banks under this Agreement are cumulative and not exclusive of any other rights or remedies available hereunder, under any other agreement or instrument, by law, or otherwise.

4.03. Notices. Each Guarantor agrees that all notices, statements, requests, demands and other communications under this Agreement shall be given to such Guarantor at the address set forth on the signature page hereof in the manner provided in Section 10.6 of the Credit Agreement. The Agents and the Banks may rely on any notice (whether or not made in a manner contemplated by this Agreement) purportedly made by or on behalf of a Guarantor, and the Agent and the Banks shall have no duty to verify the identity or authority of the Person giving such notice.

4.04. Expenses. Each Guarantor unconditionally agrees to pay all costs and expenses, including reasonable attorney's fees, incurred by the Agents and any of the Banks in enforcing this Agreement against any Guarantor.

4.05. Prior Understandings. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous understandings and agreements relating to such subject matter.

4.06. Survival. All representations and warranties of the Guarantors contained in or made in connection with this Agreement shall survive, and shall not be waived by, the execution and delivery of this Agreement, any investigation by or knowledge of the Agents and the Banks, or any of them, any extension of credit, or any other event or circumstance whatsoever.

4.07. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

4.08. Setoff. In the event that at any time any obligation of the Guarantors now or hereafter existing under this Agreement shall have become due and payable, the Agents and the Banks, or any of them, shall have the right from time to time, without notice to any Guarantor, to set off against and apply to such due and payable amount any obligation of any nature of any Agent or any Bank to any Guarantor, including but not limited to all deposits (whether time or demand, general or special, provisionally credited or finally credited, however evidenced) now or hereafter maintained by any Guarantor with any Agent or any Bank. Such right shall be absolute and unconditional in all circumstances and, without limitation, shall exist whether or not the Agents and/or the Banks, or any of them, shall have given any notice or made any demand under this Agreement or under such obligation to such Guarantor, whether such obligation of such Guarantor is absolute or contingent, matured or unmatured (it being agreed that the Agents and the Banks, or any of them, may deem such obligation to be then due and payable at the time of such setoff), and regardless of the existence or adequacy of any guaranty or other direct or indirect security, right or remedy available to the Agents and the Banks. The rights of the Agents and the Banks under this Section are in addition to such other rights and remedies (including, without limitation, other rights of setoff and banker's lien) which the Agents and the Banks, or any of them, may have, and nothing in this Agreement or in any other Loan Document shall be deemed a waiver of or restriction on the right of setoff or banker's lien of the Agents and the Banks, or any of them. The Guarantors hereby agree that, to the fullest extent permitted by law, subject to the approval of the Required Banks, any Affiliate of the Agents and the Banks, or any of them, and any holder of a participation in any obligation of any Guarantor under this Agreement, shall have the same rights of setoff as the Agents and the Banks as provided in this Section 4.08 (regardless of whether such Affiliate or participant otherwise would be deemed a creditor of any Guarantor).

4.09. Construction. The section and other headings contained in this Agreement are for reference purposes only and shall not affect interpretation of this Agreement in any respect. This Agreement has been fully negotiated between the applicable parties, each party having the benefit of legal counsel, and accordingly neither any doctrine of construction of guaranties or suretyships in favor of the guarantor or surety, nor any doctrine of construction of ambiguities in agreements or instruments against the party controlling the drafting thereof, shall apply to this Agreement.

4.10. Successors and Assigns. This Agreement shall be binding upon each Guarantor, its successors and assigns, and shall inure to the benefit of and be enforceable by the Agents and the Banks, or any of them, and their successors and permitted assigns (as provided in the Credit Agreement), provided, however, except as permitted in the Credit Agreement, no Guarantor may assign or transfer any of its rights and obligations hereunder or any interest herein without the consent of the Banks. Without limitation of the foregoing, the Agents and the Banks, or any of them (and any successive assignee or transferee), from time to time may, subject to the applicable provisions of the Credit Agreement, assign or otherwise transfer all or any portion of its rights or obligations under the Loan Documents (including, without limitation, all or any portion of any commitment to extend credit), or any other Guaranteed Obligations, to any other Person and such Guaranteed Obligations (including, without limitation, any Guaranteed Obligations resulting from extension of credit by such other Person under or in connection with the Loan Documents) assigned or otherwise transferred in accordance with the terms of the Credit Agreement shall be and remain Guaranteed Obligations entitled to the benefit of this Agreement, and to the extent of its interest in such Guaranteed Obligations such other Person shall be vested with all the benefits in respect thereof granted to the Agents and the Banks in this Agreement or otherwise.

4.11. Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

(b) Certain Waivers. EACH GUARANTOR HEREBY IRREVOCABLY:

(i) CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF THE CIRCUIT COURT OF FRANKLIN COUNTY, OHIO AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO, AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO SUCH GUARANTOR AT THE ADDRESS PROVIDED FOR IN SECTION 4.03 HEREOF AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF;

(ii) WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED AGAINST IT AS PROVIDED HEREIN AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE OR BASED ON INCONVENIENT FORUM; AND

(iii) WAIVES TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE CREDIT AGREEMENT OR ANY OTHER LOAN DOCUMENT TO THE FULL EXTENT PERMITTED BY LAW.

(c) Limitation of Liability. TO THE FULLEST EXTENT PERMITTED BY LAW, NO CLAIM MAY BE MADE BY ANY GUARANTOR OR ANY OTHER PERSON AGAINST THE AGENTS AND THE BANKS, OR ANY OF THEM, OR ANY AFFILIATE, DIRECTOR, OFFICER, EMPLOYEE, ATTORNEY OR AGENT OF THE AGENTS AND THE BANKS, OR ANY OF THEM, FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES IN RESPECT OF ANY CLAIM ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY STATEMENT, COURSE OF CONDUCT, ACT, OMISSION, OR EVENT OCCURRING IN CONNECTION HERewith (WHETHER FOR BREACH OF CONTRACT, TORT OR ANY OTHER THEORY OF LIABILITY); AND EACH GUARANTOR HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM FOR ANY SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.

4.12. Severability; Modification to Conform to Law.

(a) It is the intention of the parties that this Agreement be enforceable to the fullest extent permissible under applicable Law, but that the unenforceability (or modification to conform to such Law) of any provision or provisions hereof shall not render unenforceable, or impair, the remainder hereof. If any provision in this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, this Agreement shall, as to such jurisdiction, be deemed amended to modify or delete, as necessary, the offending provision or provisions and to alter the bounds thereof in order to render it or them valid and enforceable to the maximum extent permitted by applicable Law, without in any manner affecting the validity or enforceability of such provision or provisions in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

(b) Without limitation of the preceding subsection (a), to the extent that mandatory applicable law (including but not limited to applicable laws pertaining to fraudulent conveyance or fraudulent transfer) otherwise would render the full amount of any Guarantor's obligations hereunder invalid or unenforceable, such Guarantor's obligations hereunder shall be limited to the maximum amount which does not result in such invalidity or unenforceability.

(c) Notwithstanding anything to the contrary in this Section 4.12 or elsewhere in this Agreement, this Agreement shall be presumptively valid and enforceable to its full extent in accordance with its terms, as if this Section 4.12 (and references elsewhere in this Agreement to enforceability to the fullest extent permitted by Law) were not a part of this Agreement, and in any related litigation the burden of proof shall be on the party asserting the invalidity or unenforceability of any provision hereof or asserting any limitation on any Guarantor's obligations hereunder as to each element of such assertion.

4.13. Additional Guarantors. At any time after the initial execution and delivery of this Agreement to the Agents and the Banks, additional Persons may become parties to this Agreement and thereby acquire the duties and rights of being Guarantors hereunder by executing and delivering to the Agents and the Banks a counterpart signature page for attachment hereto and inserting a date thereon. No notice of the addition of any Guarantor shall be required to be given to any pre-existing Guarantor.

4.14. Joint and Several Obligations. The obligations of each Guarantor under this Agreement are joint and several.

4.15 Receipt of Credit Agreement and Other Loan Documents. Each Guarantor hereby acknowledges that it has received a copy of the Credit Agreement and the other Loan Documents and each Guarantor certifies that the representations and warranties made therein with respect to such Guarantor are true and correct. Further, each Guarantor acknowledges and agrees to perform, comply with and be bound by all of the provisions of the Credit Agreement and the other Loan Documents including, without limitation, those covenants contained in Sections 7.1 and 7.2 of the Credit Agreement.

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE 1 OF 1 TO MASTER GUARANTY AND SURETYSHIP
AGREEMENT]

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

GUARANTORS:

ATTEST: EACH GUARANTOR LISTED ON SCHEDULE 1

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Address for notices to each Guarantor:

Attention: _____
Telephone No. _____
Telecopier No. _____

With respect to any additional
Guarantors under Section 4.13, dated
as of _____, 199 ____.

SCHEDULE 1
TO
MASTER GUARANTY AND SURETYSHIP AGREEMENT

List of Guarantors

EXHIBIT 1.1(I)(2)

FORM OF

MASTER
INTERCOMPANY SUBORDINATION AGREEMENT

THIS MASTER INTERCOMPANY SUBORDINATION AGREEMENT is dated as of May 3, 1996 and is made by and among the entities listed on Schedule 1 attached hereto (each being individually referred to herein as a "Company" and collectively as the "Companies") in favor of the Agents and the Banks (as such terms are herein defined).

WITNESSETH THAT:

WHEREAS, each capitalized term used herein shall, unless otherwise defined herein, have the meaning specified in the Credit Agreement of even date herewith (as it may be hereafter amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among Consolidated Stores Corporation, an Ohio corporation (the "Borrower"), the Banks set forth therein (the "Banks"), The Bank of New York, as Syndication Agent and Managing Agent (the "Syndication Agent"), National City Bank, as Administrative Agent and Managing Agent (the "Administrative Agent"), PNC Bank, Ohio, National Association, as Arranger, Documentation Agent and Managing Agent (the "Documentation Agent"), Bank One, Columbus, N.A., as Managing Agent ("Bank One") and National City Bank of Columbus, as Managing Agent ("NCB" and, together with the Syndication Agent, the Administrative Agent, the Documentation Agent and Bank One, the "Agents"); and

WHEREAS, pursuant to the Credit Agreement and the other Loan Documents (collectively, the "Senior Loan Documents"), the Banks intend to make Loans to and issue Letters of Credit for the account of the Borrower or a Subsidiary; and

WHEREAS, the Companies are indebted to one or more of each other, and/or it is contemplated that the Companies may become indebted to one or more of each other (the Indebtedness of each of the Companies to any other Company, now existing or hereafter incurred (whether created directly or acquired by assignment or otherwise), and interest and premiums, if any, thereon and other amounts payable in respect thereof are hereinafter collectively referred to as the "Intercompany Indebtedness"); and

WHEREAS, the obligations of the Banks to maintain the Commitments, make Loans and issue Letters of Credit from time to time are subject to the condition, among others, that the Companies subordinate the Intercompany Indebtedness to the Indebtedness and all other obligations of the Borrower or any other Company to the Agent or the Banks pursuant to the Credit Agreement and the other Senior Loan Documents (collectively, the "Senior Debt") in the manner set forth herein;

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto covenant and agree as follows:

1. Intercompany Indebtedness Subordinated to Senior Debt. The recitals set forth above are hereby incorporated by reference. All Intercompany Indebtedness shall be subordinate

and subject in right of payment to the prior indefeasible payment in full of all Senior Debt pursuant to the provisions contained herein.

2. Payment Over of Proceeds Upon Dissolution, Etc. Upon any distribution of assets of any Company in the event of (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to such Company or to its creditors, as such, or to its assets, or (b) except as permitted under Section 7.2.6 or 7.2.7 of the Credit Agreement, any liquidation, dissolution or other winding up of such Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any marshalling of assets and liabilities of such Company (a Company distributing assets as set forth herein being referred to in such capacity as a "Distributing Company"), then and in any such event, the Administrative Agent shall be entitled to receive, for the benefit of the Agents and the Banks as their respective interests may appear, indefeasible payment in full of all amounts due or to become due (whether or not an Event of Default has occurred or the Senior Debt has been declared due and payable prior to the date on which it would otherwise have become due and payable) on or in respect of any and all Senior Debt before the holder of any Intercompany Indebtedness owed by the Distributing Company is entitled to receive any payment on account of the principal of or interest on such Intercompany Indebtedness, and to that end, the Administrative Agent shall be entitled to receive, for application to the payment of the Senior Debt, any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in respect of the Intercompany Indebtedness owed by the Distributing Company in any such case, proceeding, dissolution, liquidation or other winding up event.

If, notwithstanding the foregoing provisions of this Section, a Company which is owed Intercompany Indebtedness by a Distributing Company shall have received any payment or distribution of assets from the Distributing Company of any kind or character, whether in cash, property or securities, then and in such event such payment or distribution shall be held in trust for the benefit of the Agents and the Banks as their respective interests may appear, shall be segregated from other funds and property held by such Company, and shall be forthwith paid over to the Administrative Agent in the same form as so received (with any necessary endorsement) to be applied (in the case of cash) to or held as collateral (in the case of noncash property or securities) for the payment or prepayment of the Senior Debt in accordance with the terms of the Credit Agreement.

3. No Commencement of Any Proceeding. Each Company agrees that, so long as the Senior Debt shall remain unpaid, it will not commence, or join with any creditor other than the Banks and the Agents in commencing, any proceeding referred to in the first paragraph of Section 2 against any other Company which owes it any Intercompany Indebtedness.

4. Prior Payment of Senior Debt Upon Acceleration of Intercompany Indebtedness. If any portion of the Intercompany Indebtedness owed by any Company becomes or is declared due and payable before its stated maturity, then and in such event the Agents and the Banks shall be entitled to receive indefeasible payment in full of all amounts due and to become due on or in respect of the Senior Debt (whether or not an Event of Default has occurred or the Senior Debt

has been declared due and payable prior to the date on which it would otherwise have become due and payable) before the holder of any such Intercompany Indebtedness is entitled to receive any payment thereon.

If, notwithstanding the foregoing, any Company shall make any payment of Intercompany Indebtedness prohibited by the foregoing provisions of this Section, such payment shall be held in trust for the benefit of the Agents and the Banks as their respective interests may appear, shall be segregated from other funds and property held by such Company, and shall be paid over and delivered forthwith to the Administrative Agent, for the benefit of the Agents and the Banks as their respective interests may appear, in the same form as so received (with any necessary endorsement) to be applied (in the case of cash) to or held as collateral (in the case of noncash property or securities) for the payment or prepayment of the Senior Debt in accordance with the terms of the Credit Agreement.

The provisions of this Section shall not apply to any payment with respect to which Section 2 hereof would be applicable.

5. No Payment When Senior Debt in Default. If any Event of Default or Potential Default shall have occurred and be continuing, or such an Event of Default or Potential Default would result from or exist after giving effect to a payment with respect to any portion of the Intercompany Indebtedness, unless the Required Banks shall have consented to or waived the same, so long as any of the Senior Debt shall remain outstanding, no payment shall be made by the Company owing such Intercompany Indebtedness on account of principal or interest on any portion of the Intercompany Indebtedness.

If, notwithstanding the foregoing, any Company shall make any payment of the Intercompany Indebtedness to another Company prohibited by the foregoing provisions of this Section, such payment shall be held in trust for the benefit of the Agents and the Banks as their respective interests may appear, shall be segregated from other funds and property held by such Company, and shall be paid over and delivered forthwith to the Administrative Agent, for the benefit of the Agents and the Banks as their respective interests may appear, in the same form as so received (with any necessary endorsement) to be applied (in the case of cash) to or held as collateral (in the case of noncash property or securities) for the payment or prepayment of the Senior Debt in accordance with the terms of the Credit Agreement.

The provisions of this Section shall not apply to any payment with respect to which Section 2 hereof would be applicable.

6. Payment Permitted if No Default. Nothing contained in this Agreement shall prevent any of the Companies, at any time except during the pendency of any of the conditions described in Sections 2, 4 and 5 hereof, from making payments at any time of principal or interest on any portion of the Intercompany Indebtedness, or the retention thereof by any of the Companies of any money deposited with them for the payment of or on account of the principal or interest on the Intercompany Indebtedness.

7. Rights of Subrogation. Each Company agrees that no payment or distribution to the Agents or the Banks pursuant to the provisions of this Agreement shall entitle it to exercise

any rights of subrogation in respect thereof until the Senior Debt shall have been indefeasibly paid in full and the Commitments shall have terminated.

8. Instruments Evidencing Intercompany Indebtedness. Each Company shall cause each instrument which now or hereafter evidences all or a portion of the Intercompany Indebtedness to be conspicuously marked as follows:

"This instrument is subject to the terms of an Intercompany Subordination Agreement dated as of May 3, 1996 in favor of National City Bank of Columbus, as Administrative Agent for the other Agents and the Banks referred to therein, which Intercompany Subordination Agreement is incorporated herein by reference. Notwithstanding any contrary statement contained in the within instrument, no payment on account of the principal thereof or interest thereon shall become due or payable except in accordance with the express terms of said Intercompany Subordination Agreement."

Each Company will further mark its books of account in such a manner as shall be effective to give proper notice to the effect of this Agreement.

9. Agreement Solely to Define Relative Rights. The purpose of this Agreement is solely to define the relative rights of the Companies, on the one hand, and the Agents and the Banks, on the other hand. Nothing contained in this Agreement is intended to or shall impair, as between any of the Companies and their creditors other than the Agents and the Banks, the obligation of the Companies to each other to pay the principal of and interest on the Intercompany Indebtedness as and when the same shall become due and payable in accordance with its terms, or is intended to or shall affect the relative rights among the Companies and their creditors other than the Agents and the Banks, nor shall anything herein prevent any of the Companies from exercising all remedies otherwise permitted by applicable Law upon default under any agreement pursuant to which the Intercompany Indebtedness is created, subject to the rights, if any, under this Agreement of the Agents and the Banks to receive cash, property or securities otherwise payable or deliverable with respect to the Intercompany Indebtedness.

10. No Implied Waivers of Subordination. No right of any Agent or any Bank 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 any Company or by any act or failure to act by any Agent or any Bank, or by any non-compliance by any Company with the terms, provisions and covenants of any agreement pursuant to which the Intercompany Indebtedness is created, regardless of any knowledge thereof any Agent or any Bank may have or be otherwise charged with. Each Company by its acceptance hereof shall agree that, so long as there is Senior Debt outstanding or Commitments in effect under the Credit Agreement, other than as permitted under the Credit Agreement, such Company shall not agree to sell, assign, pledge, encumber or otherwise dispose of, or to compromise, release, forgive or otherwise discharge the obligations of the other Companies with respect to their Intercompany Indebtedness, other than by means of payment of such Intercompany Indebtedness according to its terms, without the prior written consent of the Required Banks.

Without in any way limiting the generality of the foregoing paragraph, any Agent or any of the Banks may, at any time and from time to time, without the consent of or notice to the Companies except the Borrower to the extent provided in the Credit Agreement, without incurring responsibility to the Companies and without impairing or releasing the subordination provided in this Agreement or the obligations hereunder of the Companies to the Agents and the Banks, do any one or more of the following: (i) change the manner, place or terms of payment, or extend the time of payment, renew or alter the Senior Debt or otherwise amend or supplement the Senior Debt or the Senior Loan Documents; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing the Senior Debt; (iii) release any person liable in any manner for the payment or collection of the Senior Debt; and (iv) exercise or refrain from exercising any rights against any of the Companies and any other person.

11. Additional Subsidiaries. At any time after the initial execution and delivery of this Agreement to the Agents and the Banks, additional Persons may become parties to this Agreement and thereby acquire the duties and rights of being Companies hereunder by executing and delivering to the Agents and the Banks a counterpart signature page for attachment hereto and inserting a date thereon. No notice of the addition of any Company shall be required to be given to any pre-existing Company.

12. Continuing Force and Effect. This Agreement shall continue in force for so long as any portion of the Senior Debt remains unpaid and any Commitments under the Credit Agreement remain outstanding, it being contemplated that this Agreement be of a continuing nature.

13. Modification, Amendments or Waivers. Any and all agreements amending or changing any provision of this Agreement or the rights of the Agent or the Banks hereunder, and any and all waivers or consents to Events of Default or other departures from the due performance of the Companies hereunder, shall be made only by written agreement, waiver or consent signed by the Administrative Agent, acting on behalf of all the Banks, with the written consent of the Required Banks, any such agreement, waiver or consent made with such written consent being effective to bind all the Banks.

14. Expenses. The Companies unconditionally and jointly and severally agree upon demand to pay to the Agents and the Banks the amount of any and all reasonable and necessary out-of-pocket costs, expenses and disbursements for which reimbursement is customarily obtained, including fees and expenses of counsel, which any Agent or any of the Banks may incur in connection with (a) the administration of this Agreement, (b) the exercise or enforcement of any of the rights of the Agents or the Banks hereunder, or (c) the failure by the Companies to perform or observe any of the provisions hereof.

15. Severability. The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

16. Governing Law. This Agreement shall be a contract under the internal laws of the State of Ohio and for all purposes shall be construed in accordance with the internal laws of the State of Ohio without giving effect to its principles of conflict of laws.

17. Successors and Assigns. This Agreement shall inure to the benefit of the Agents and the Banks and their respective successors and assigns, as permitted in the Credit Agreement, and the obligations of the Companies shall be binding upon their respective successors and assigns. Except as permitted under the Credit Agreement, the duties and obligations of the Companies may not be delegated or transferred by the Companies without the written consent of the Banks. Except to the extent otherwise required by the context of this Agreement, the word "Banks" when used herein shall include, without limitation, any holder of a Note or an assignment of rights therein originally issued to a Bank under the Credit Agreement, and each such holder of a Note or assignment shall have the benefits of this Agreement to the same extent as if such holder had originally been a Bank under the Credit Agreement.

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

19. Attorneys-in-Fact. Each of the Companies hereby authorizes and empowers the Administrative Agent, at its election and in the name of either itself, for the benefit of the Agents and the Banks as their respective interests may appear, or in the name of such Company as is owed Intercompany Indebtedness, to execute and file proofs and documents and take any other action the Administrative Agent may deem advisable to completely protect the Agents' and the Banks' interests in the Intercompany Indebtedness and their right of enforcement thereof, and to that end each of the Companies hereby irrevocably makes, constitutes and appoints the Administrative Agent, its officers, employees and agents, or any of them, with full power of substitution, as the true and lawful attorney-in-fact and agent of such Company, and with full power for such Company, and in the name, place and stead of such Company for the purpose of carrying out the provisions of this Agreement, and taking any action and executing, delivering, filing and recording any instruments which the Administrative Agent may deem necessary or advisable to accomplish the purposes hereof, which power of attorney, being given for security, is coupled with an interest and is irrevocable. Each Company hereby ratifies and confirms, and agrees to ratify and confirm, all action taken by the Administrative Agent, its officers, employees or agents pursuant to the foregoing power of attorney.

20. Application of Payments. In the event any payments are received by the Administrative Agent under the terms of this Agreement for application to the Senior Debt at any time when the Senior Debt has not been declared due and payable and prior to the date on which it would otherwise become due and payable, such payment shall constitute a voluntary prepayment of the Senior Debt for all purposes under the Credit Agreement.

21. Remedies. In the event of a breach by any of the Companies in the performance of any of the terms of this Agreement, the Administrative Agent, on behalf of the Banks, may demand specific performance of this Agreement and seek injunctive relief and may exercise any

other remedy available at law or in equity, it being recognized that the remedies of the Administrative Agent on behalf of the Banks at law may not fully compensate the Administrative Agent on behalf of the Banks for the damages they may suffer in the event of a breach hereof.

22. Consent to Jurisdiction; Waiver of Jury Trial. Each of the Companies hereby irrevocably consents to the non-exclusive jurisdiction of the Court of Common Pleas of Franklin County, Ohio and the United States District Court for the Southern District of Ohio, waives personal service of any and all process upon it and consents that all such service of process be made by certified or registered mail directed to the Companies at the addresses set forth or referred to in Section 23 hereof and service so made shall be deemed to be completed upon actual receipt thereof. Each of the Companies waives any objection to jurisdiction and venue of any action instituted against it as provided herein and agrees not to assert any defense based on lack of jurisdiction or venue, AND EACH OF THE COMPANIES WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT TO THE FULL EXTENT PERMITTED BY LAW.

23. Notices. All notices, statements, requests and demands and other communications given to or made upon the Companies, the Agents or the Banks in accordance with the provisions of this Agreement shall be given or made as provided in Section 10.6 of the Credit Agreement. Notice to any Company other than the Borrower shall be delivered or sent to such Company at its address set forth on the signature page hereto.

24. Intercompany Notes. The Borrower and K.B. Consolidated, Inc. have delivered to the Administrative Agent for the benefit of the Agents and the Banks the Intercompany Notes and covenant and agree, immediately upon the request of the Administrative Agent at the direction of the Required Banks, (i) without the need to take any further action, the Intercompany Notes and any and all rights and privileges pertaining thereto, any and all claims in respect thereof and any proceeds thereof shall be pledged to the Administrative Agent for the benefit of the Agents and the Banks to secure their respective Obligations and (ii) to execute and deliver to the Administrative Agent any pledge agreement or further documents or instruments which the Administrative Agent may deem necessary, desirable or proper to effect such pledge or to better evidence such pledge.

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE 1 OF 1 TO MASTER INTERCOMPANY SUBORDINATION
AGREEMENT]

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

COMPANIES:

ATTEST:

EACH COMPANY LISTED ON SCHEDULE 1

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Address for notices to each Company:

Attention: _____

Telephone No.: _____

Telecopier No.: _____

With respect to any additional
Companies under Section 11, dated
as of _____, 199 .

SCHEDULE 1
TO
MASTER INTERCOMPANY SUBORDINATION AGREEMENT

List of Companies

CONSOLIDATED STORES CORPORATION

7% Senior Subordinated Note due May 4, 2000

No. SSN-1	\$100,000,000
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Consolidated Stores Corporation, an Ohio corporation ("the Company", which term includes any successor corporation under the Indenture hereinafter referred to), promises to pay to Melville Corporation or its registered assigns, the principal amount of \$100,000,000 Dollars on May 4, 2000.

Interest Payment Dates: April 15 and October 15, commencing October 15, 1996.

Record Dates: April 1 and October 1

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officers.

Consolidated Stores Corporation

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

By: _____
Name: James E. Eggenschwiler
Title: Assistant Secretary

Dated: May 5, 1996

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

The Bank of New York, as Trustee

By: _____
Authorized Signatory

1. Interest

Consolidated Stores Corporation, an Ohio corporation ("the Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. Interest will be payable semi-annually on each interest payment date, commencing October 15, 1996. Interest on the Securities will accrue from the most recent date to which interest has been paid, or if no interest has been paid, from May 5, 1996. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Company shall pay interest on overdue principal and interest on overdue installments of interest, to the extent lawful, at the rate per annum borne by the Securities.

2. Method of Payment

The Company will pay interest on the Securities (except defaulted interest) to the persons who are registered Holders at the close of business on April 1 and October 1 immediately preceding the interest payment date (whether or not a Business Day) even if the Security is cancelled on registration of transfer or registration of exchange (other than with respect to the purchase of Securities pursuant to an offer to purchase securities made in connection with Sections 4.10 or 4.11 of the Indenture after such record date). Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal, premium, if any, and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may pay principal and interest by its check payable in such money. The Company may mail an interest payment to a Securityholder's registered address.

3. Paying Agent and Registrar

Initially, the Trustee will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent or Registrar without notice, other than notice to the Trustee. The Company or any Subsidiary or an Affiliate of either of them may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Company issued the Securities under an Indenture, dated as of May 5, 1996 (the "Indenture"), between the Company and The Bank of New York (the "Trustee"). The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended and as in effect on the date of the Indenture (the "TIA"), and as provided in the Indenture. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the TIA for a statement of those terms.

The Securities are general obligations of the Company limited to \$100,000,000 aggregate principal amount.

5. Redemption

The Securities are redeemable in whole or in part, or from time to time in part, at any time on and after May 5, 1998 at the option of the Company at the following redemption prices (expressed as a percentage of principal amount), together with accrued and unpaid interest to the Redemption Date, if redeemed in the 12-month period commencing:

May 5,	Optional Redemption Price -----
1998	103.00%
1999	102.00%
2000 and thereafter	100.00%

The Securities are not entitled to the benefit of any sinking fund.

6. Notice of Redemption

Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at the Holder's registered address. Securities in denominations larger than \$1,000 of principal amount may be redeemed in part but only in integral multiples of \$1,000 of principal amount.

7. Requirement that the Company Offer to Purchase Securities under Certain Circumstances

Subject to the terms and conditions of the Indenture, the Company will be obligated to offer to purchase the Securities pursuant to Section 4.10 of the Indenture after the occurrence of a Change of Control of the Company at a price equal to 101% of aggregate principal amount, plus accrued and unpaid interest, if any, to the date of purchase. In addition, subject to the terms and conditions of the Indenture, the Company will be obligated to offer to purchase the Securities pursuant to Section 4.11 of the Indenture to the extent that there are Excess Proceeds, at 100% of aggregate principal amount, plus accrued and unpaid interest, if any.

8. Denominations; Transfer; Exchange

The Securities are in registered form, without coupons, in denominations of \$1,000 of principal amount and integral multiples of \$1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not transfer or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed.

9. Persons Deemed Owners

The registered Holder of this Security may be treated as the owner of this Security for all purposes.

10. Amendment; Waiver

Subject to certain exceptions set forth in the Indenture: (a) the Indenture or the Securities may be amended with the written consent of the Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding; and (b) certain defaults or noncompliance with certain provisions may be waived with the written consent of the Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company and the Trustee may amend the Indenture or the Securities: (a) to cure any ambiguity, defect or inconsistency; (b) to comply with Article 5 of the Indenture; (c) to provide for uncertificated Securities in addition to certificated Securities; (d) to comply with any requirements of the Securities and Exchange Commission in connection with the qualification of the Indenture under the TIA; or (e) to make any change that does not adversely affect the rights of any Securityholder.

11. Defaults and Remedies

Under the Indenture, Events of Default include: (a) default in payment of the principal amount, premium if any, or interest, in respect of the Securities when the same becomes due and payable subject, in the case of interest, to the grace period contained in the Indenture; (b) failure by the Company to comply with other agreements in the Indenture or the Securities, subject to notice and lapse of time; (c) certain events of acceleration prior to maturity of certain indebtedness; (d) certain final judgments which remain undischarged; or (e) certain events of bankruptcy or insolvency. If an Event of Default occurs and is continuing, the Trustee, or the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding, may declare all the Securities to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities becoming due and payable immediately upon the occurrence of such Events of Default.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default (except a Default in payment of amounts specified in clause (a) above) if it determines that withholding notice is in their interests.

The Securities are subordinated in right of payment, in the manner and to the extent set forth in the Indenture, to the prior payment in full in cash of all Senior Indebtedness of the Company whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed. Each Holder by his acceptance hereof agrees to be bound by such

provisions and authorizes and expressly directs the Trustee, on his behalf, to take such action as may be necessary or appropriate to effectuate the subordinate provided for in the Indenture and appoints the Trustee his attorney-in-fact for such purpose.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place, and rate, and in the coin or currency, herein prescribed.

12. Trustee Dealings with the Company

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

13. 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 Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

14. Authentication

This Security shall not be valid until an authorized signatory of the Trustee manually signs the Trustee's Certificate of Authentication on the other side of this Security.

15. Abbreviations

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

16. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent will pay the money back to the Company at its written request. After that, Holders entitled to money must look to the Company for payment.

17. Discharge Prior to Maturity

If the Company deposits with the Trustee or Paying Agent money or U.S. Government Obligations sufficient to pay the principal of and interest on the Securities to maturity or

redemption, as the case may be, the Company will be discharged from the Indenture except for certain Sections thereof.

18. Successor

When a successor Person to the Company assumes all the obligations of its predecessor under the Securities and the Indenture such predecessor shall be released from those obligations.

19. Governing Law

THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

ASSIGNMENT FORM

To assign this Security, fill in the form below: I or we assign and transfer this Security to:

(insert assignee's social security or tax I.D. number)

(print or type assignee's name, address and zip code)

and irrevocably appoint agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Dated:

Signature:

(sign exactly as your name appears on the other side of this Security)

Signature
Guarantee:

OPTION OF HOLDER TO ELECT PURCHASE

If you receive a notice pursuant to Section 4.10 ("Change of Control Offer") or Section 4.11 ("Excess Proceeds Offer") of the Indenture and you wish to elect to have all or any portion of this Security purchased by the Company pursuant to such notice, check the applicable boxes and complete the following form:

- Change of Control Offer:

in whole -
in part -

Amount to be
purchased: \$ _____

- Excess Proceeds Offer:

in whole -
in part -

Amount to be
purchased: \$ _____

Dated:

Signature:

(Sign exactly as your name appears on the other side of this Security)

Signature
Guarantee:

Social Security Number or
Taxpayer Identification Number:

CONSOLIDATED STORES CORPORATION
The Company,

and

THE BANK OF NEW YORK
The Trustee,

INDENTURE

Dated as of May 5, 1996

\$100,000,000

7% Senior Subordinated Notes due May 4, 2000

CROSS REFERENCE TABLE(1)

EXHIBIT 10(b)(i)

	TIAIndenture Section Section -----
310(a)(1).....	7.10
(a)(2).....	7.10
(a)(3).....	N.A.(2)
(a)(4).....	N.A.
(a)(5).....	7.10
(b).....	7.08; 7.10
(c).....	N.A.
311(a).....	7.11
(b).....	7.11
(c).....	N.A.
312(a).....	2.05
(b).....	11.03
(c).....	11.03
313(a).....	7.06
(b)(1).....	N.A.
(b)(2).....	7.06
(c).....	7.06; 11.02
(d).....	7.06
314(a).....	4.02; 11.02
(b).....	N.A.
(c)(1).....	11.04
(c)(2).....	11.04
(c)(3).....	N.A.
(d).....	N.A.
(e).....	11.05
(f).....	4.03
315(a).....	7.01; 7.02
(b).....	7.05; 11.02
(c).....	7.01
(d).....	6.05; 7.01
(e).....	6.11
316(a)(last sentence).....	2.08
(a)(1)(A).....	6.05
(a)(1)(B).....	6.04
(a)(2).....	N.A.
(b).....	6.07
(c).....	1.05; 9.04
317(a)(1).....	6.08
(a)(2).....	6.09
(b).....	2.04
318(a).....	11.01

 (1) Note: This cross reference table shall not, for any purpose, be deemed to be
 part of this Indenture.

(2) N.A. means Not Applicable.

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INDENTURE, dated as of May 5, 1996, between Consolidated Stores Corporation, an Ohio corporation ("the Company"), and The Bank of New York, a New York banking corporation (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's Subordinated Notes due May 4, 2000 (the "Securities"):

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions.

"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. Control, as used in this definition, 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.

"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) 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 5.01; (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.

"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 any day that is not a Saturday, a Sunday or a day on which banking institutions in New York are required to close.

"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 of Control" means: (i) any person or group of persons (within the meaning of Section 13(a) or 14(a) of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership of (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) 33.33% or more of the voting capital stock of the Company; 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.

"Company" means the party named as the "Company" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor.

"Consolidated EBIT" means, with respect to a Person, (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 Consolidated Rent Expense, to (b) Consolidated Interest Expense for the most recent four fiscal quarters immediately preceding the date of determination plus 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.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"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 in part, on or prior to the maturity of the Securities.

"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 to such Person, that are in effect from time to time.

"Holder" or "Securityholder" means a Person in whose name a Security is registered on the Registrar's books.

"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" means this Indenture, as amended or supplemented from time to time in accordance with the terms hereof, including the provisions of the TIA that are deemed to be a part hereof.

"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 the date of original issue of the Securities.

"Officer" means, with respect to any corporation, the Chairman of the Board, any Vice Chairman, the President, any Vice President, the Treasurer, or the Secretary of such corporation.

"Officers' Certificate" means a written certificate containing the information specified in Sections 11.04 and 11.05 herein, signed in the name of the Company by any two of its Officers, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion (containing as applicable the information specified in Sections 11.04 and 11.05 hereof) rendered by legal counsel who is acceptable to the Trustee which may be counsel to the Company.

"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) all obligations owed by the Company or any Subsidiary of the Company under or in connection with that certain Short Term Loan Agreement dated as of May 3, 1996 among Consolidated Stores Corporation, the initial Lenders named therein and Merrill Lynch Capital Corporation, as Agent and the related guarantees and documents as

such agreement, guarantees or documents may be further amended, modified, refinanced or refunded from time to time (the "Merrill Loan"); (iii) 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; (iv) Indebtedness of the Company and its Subsidiaries outstanding on the date hereof; (v) Indebtedness secured by purchase money security interests; (vi) Indebtedness in connection with interest rate agreements permitted by the Revolving Credit Facility; (vii) \$35,000,000 principal amount of the Company's 10.50% Senior Notes Due August 1, 2002; (viii) any other Indebtedness not referred to above which does not exceed in the aggregate \$25,000,000; and (ix) 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 (x) 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 (or 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 hereof; and (h) investments related to Company owned life insurance contracts.

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

"Redemption Date" or "redemption date" means the date specified for redemption of the Securities in accordance with the terms of the Securities and this Indenture.

"Redemption Price" or "redemption price" shall have the meaning set forth in paragraph 5 of the Securities.

"Revolving Credit Facility" means the 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, and any

guarantees by Subsidiaries of the Company and any other agreements executed in connection therewith as such agreements or guarantees may be further amended, modified, refinanced or refunded from time to time.

"SEC" means the Securities and Exchange Commission.

"Security" or "Securities" means any of the Company's Subordinated Notes due May 4, 2000, issued under this Indenture, as amended or supplemented from time to time pursuant to this Indenture.

"Securityholder" or "Holder" means a Person in whose name a Security is registered on the Registrar's books.

"Senior Indebtedness" means (i) all obligations owed 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; (ii) all obligations owed by the Company or any Subsidiary of the Company under or in connection with the Merrill Loan and the related guarantees and documents; and (iii) 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 Securities. Notwithstanding the foregoing, "Senior Indebtedness" shall not include (i) Indebtedness evidenced by the Securities, (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 owned or owing by the Company, (iv) Indebtedness of or amounts owned 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 Indenture. 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 any proceeding under such bankruptcy or similar law, shall constitute Senior Indebtedness.

"Stated Maturity" means, when used with respect to any security, the date specified in such security as the fixed date on which an amount equal to the principal of such security is due and payable.

"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 partner 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.

"TIA" means the Trust Indenture Act of 1939, as amended, and as in effect on the date of this Indenture; provided, however, that in the event the TIA is amended after such date, TIA means, to the extent required by any such amendment, the TIA as so amended.

"Trust Officer", when used with respect to the Trustee, means the chairman or vice chairman of the Board of Directors, the chairman or vice chairman of the executive committee of the Board of Directors, the President, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Trustee" means the party named as the "Trustee" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor.

"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 member 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" of any Person means any Subsidiary of such Person to the extent the entire voting share capital of such Subsidiary is owned by such Person (either directly or indirectly through Wholly-owned Subsidiaries).

SECTION 1.02. Other Definitions.

Term -----	Defined in Section -----
"Acceleration Notice".....	6.02
"Act".....	1.05
"Bankruptcy Law".....	6.01
"Change of Control Payment Date".....	4.10
"Custodian".....	6.01
"Event of Default".....	6.01
"Excess Proceeds".....	4.11
"Exchange Act".....	4.02
"Legal Holiday".....	11.08
"Net Cash Proceeds".....	4.11
"Notice of Election".....	4.10
"Notice of Default".....	6.01
"Paying Agent".....	2.03
"Register".....	2.03
"Registrar".....	2.03
"Restricted Payment".....	4.06
"U.S. Government Obligations".....	8.03

SECTION 1.03. Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the TIA, such provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC.

"Indenture securities" means the Securities.

"Indenture security holder" means a Securityholder.

"Indenture to be qualified" means this Indenture.

"Indenture trustee" or "institutional trustee" means the Trustee.

"Obligor" on the indenture securities means the Company.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.04. Rules of Construction. 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;
- (f) "herein," "hereof," "hereto" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision; and
- (g) any gender used in this Indenture shall be deemed to include the neuter, masculine and feminine gender.

SECTION 1.05. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor executed by such Holders in person or by an agent or proxy duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 1.05.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the Register or by a certificate of the Registrar.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall be conclusive and binding upon such Holder and upon every future Holder of the same Security and the holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a resolution of its Board of Directors, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the outstanding Securities shall be computed as of such record date; provided, however, that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

ARTICLE 2

THE SECURITIES

SECTION 2.01. Form and Dating. The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit "A" attached hereto. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage. The form of the Securities and any notation, legend or endorsement shall be in a form acceptable to the Company. Each Security shall be dated the date of its authentication.

The terms and provisions contained in the Securities, annexed hereto as Exhibit "A", shall constitute, and are hereby expressly made, a part of this Indenture. To the extent applicable, the Company, by its execution and delivery of this Indenture, expressly agrees to such terms and provisions and to be bound thereby.

SECTION 2.02. Execution and Authentication. The Securities shall be executed on behalf of the Company by any two of its Officers. The signature of any such Officer on the Securities may be manual or facsimile. The Company's corporate seal may, if required, be impressed, affixed, imprinted or reproduced on the Securities and may be in facsimile form.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper Officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for in Exhibit "A" annexed hereto duly executed by the Trustee by manual signature of an authorized signatory, and such executed certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and made available for delivery hereunder.

The Trustee shall authenticate and make available for delivery Securities for original issue in the aggregate principal amount of \$100,000,000 upon a Board of Directors resolution and a written order of the Company signed by two Officers of the Company, but without any further action by the Company. Such order shall specify the amount of the Securities to be authenticated and the date on which the original issue of Securities is to be authenticated and delivered. The aggregate principal amount of Securities outstanding at any time may not exceed \$100,000,000, except as provided in Section 2.07.

The Trustee shall act as the initial authenticating agent. Thereafter, the Trustee may appoint an authenticating agent reasonably acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as a Paying Agent to deal with the Company or an Affiliate of the Company.

The Securities shall be issuable only in registered form without coupons and only in denominations of \$1,000 and any integral multiple thereof.

SECTION 2.03. Registrar and Paying Agent. The Company shall maintain or cause to be maintained an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar"), an office or agency where Securities may be presented or surrendered for purchase or payment ("Paying Agent") and an office or agency where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Registrar shall keep a register of the Securities and of their transfer and exchange (the "Register"). The Company may have one or more co-registrars and one or more additional paying agents. The term Paying Agent includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent or co-registrar (if not the Trustee or the Company). The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar, Paying Agent or agent for service of notices or demands, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.07 hereof. The Company or any Subsidiary or an Affiliate of either of them may act as Paying Agent, Registrar or co-registrar or agent for service of notices and demands.

The Company initially appoints the Trustee as Registrar, Paying Agent and agent for service of notices and demands.

SECTION 2.04. Paying Agent to Hold Money in Trust. Except as otherwise provided herein, not later than each due date of the principal, premium, if any, and interest on any Security, the Company shall deposit with the Paying Agent a sum of money sufficient to pay such principal, premium, if any, and interest so becoming due. Subject to Article 10, the Company shall require each Paying Agent (other than the Trustee or the Company) to agree in writing that such Paying Agent shall hold in trust for the benefit of Securityholders or the Trustee all money held by the Paying Agent for the payment of principal, premium, if any, and interest on the Securities (whether such money has been paid to it by the Company or any other obligor on the Securities) and shall notify the Trustee of any default by the Company (or any other obligor on the Securities) in making any such payment. At any time during the continuance of any such default, the Paying Agent shall, upon the request of the Trustee, forthwith pay to the Trustee all money so held in trust and account for any money disbursed by it. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any money disbursed by it. Upon doing so, the Paying Agent shall have no further liability for the money so paid over to the Trustee. If the Company, a Subsidiary or an Affiliate of either of them acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund.

SECTION 2.05. Securityholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall cause to be furnished to the Trustee on or before each interest payment date and at such other times as the Trustee may request in writing, within five Business Days of such request, a list in such form as the Trustee may reasonably require of the names and addresses of Securityholders.

SECTION 2.06. Transfer and Exchange. Upon surrender for registration of transfer of any Security at the office or agency of the Company designated as Registrar or co-registrar pursuant to Section 2.03 or at the office or agency referred to in Section 4.05, the Company shall execute, and the Trustee shall authenticate and make available for delivery, in the name of the designated transferee or transferees, one or more new Securities of any authorized denomination or denominations, of a like aggregate principal amount.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denomination or denominations, of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Securities which the Holder making the exchange is entitled to receive.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Registrar duly executed by the Holder or his attorney duly authorized in writing.

Each Holder agrees to indemnify the Company and the Trustee against any liability that may result from the transfer, exchange or assignment of such Holder's Security in violation of any provision of this Indenture and/or applicable United States federal or state securities law.

The Company shall not charge a service charge for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges that may be imposed in connection with the transfer or exchange of the Securities from the Securityholder requesting such transfer or exchange (other than any exchange of a temporary Security for a definitive Security not involving any change in ownership).

The Company shall not be required to make, and the Registrar need not register, transfers or exchanges of Securities selected for redemption (except, in the case of Securities to be redeemed in part, the portion thereof not to be redeemed) or any Securities for a period of 15 days before the mailing of a notice of redemption.

SECTION 2.07. Replacement Securities. If (a) any mutilated Security is surrendered to the Company or the Trustee, or (b) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute, and upon its written request, the Trustee shall authenticate and make available for delivery, in exchange for any such mutilated Security or in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, or is about to be redeemed or purchased by the Company pursuant to Articles 3 or 4 hereof, the Company in its discretion may, instead of issuing a new Security, pay, redeem or purchase such Security, as the case may be.

Upon the issuance of any new Securities under this Section 2.07, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) in connection therewith.

Every new Security issued pursuant to this Section 2.07 in lieu of any mutilated, destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section 2.07 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 2.08. Outstanding Securities; Determinations of Holders' Action. Securities outstanding at any time are all the Securities that have been authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those referred to in Section 2.07 hereof, or redeemed by the Company pursuant to Article 3 hereof and those described in this Section 2.08 as not outstanding. A Security does not cease to be outstanding because the Company, a Subsidiary or an Affiliate thereof holds the Security; provided, however, that in determining whether the Holders of the requisite principal amount of Securities have given or concurred in any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company, any other obligor upon the Securities or any Subsidiary or Affiliate of the Company or such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee actually knows to be so owned shall be so disregarded. Subject to the foregoing, only Securities outstanding at the time of such determination shall be considered in any such determination (including determinations pursuant to Articles 6 and 9).

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the Paying Agent (other than the Company) holds, in accordance with this Indenture, at maturity or on a Redemption Date, money sufficient to pay the Securities payable on that date, then immediately on the date of maturity or such Redemption Date, as the case may be, such Securities shall cease to be outstanding and interest, if any, on such Securities shall cease to accrue.

SECTION 2.09. Temporary Securities. Pending the preparation of definitive Securities, the Company may execute, and upon written request from the Company signed by two Officers of the Company, the Trustee shall authenticate and make available for delivery, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the Officers of the Company executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company designated for such purpose pursuant to Section 2.03 hereof, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute and the Trustee, upon written request of the Company signed by two Officers of the Company, shall authenticate and make available for delivery in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 2.10. Cancellation. All Securities surrendered for payment, purchase by the Company, redemption by the Company pursuant to Article 3 hereof, or registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and made available for delivery hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly canceled by the Trustee. The Company may not reissue, or issue new Securities to replace Securities it has paid or delivered to the Trustee for cancellation. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section 2.10, except as expressly permitted by this Indenture. All canceled Securities held by the Trustee shall be delivered to the Company.

SECTION 2.11. CUSIP Numbers. The Company, in issuing the Securities may use "CUSIP" numbers (if then generally in use), and the Trustee shall use CUSIP numbers in notices of redemption or exchange as a convenience to Holders; provided, however, that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of redemption or exchange and that reliance may be placed only on the other identification numbers printed on the Securities and any redemption shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee of any change in the CUSIP numbers.

SECTION 2.12. Defaulted Interest. If the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest, plus (to the extent lawful) any interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, and such special record date, as used in this Section 2.12 with respect to the payment of any defaulted interest, shall mean the 15th day next preceding the date fixed by the Company for the payment of defaulted interest, whether or not such day is a Business Day. At least 15 days before the subsequent special record date, the Company shall mail to each Holder and to the Trustee a notice that states the subsequent special record date, the payment date and the amount of defaulted interest to be paid. The Company may also pay defaulted interest in any other lawful manner.

ARTICLE 3

REDEMPTION

SECTION 3.01. Right to Redeem: Notices to Trustee. At any time on and after May 5, 1998, the Company, at its option, may redeem the Securities for cash in accordance with this Article 3 and the provisions of paragraphs 5 and 6 of the Securities. If the Company elects to redeem Securities, it shall notify the Trustee in writing of the Redemption Date, the principal amount of Securities to be redeemed and the Redemption Price.

The Company shall give the notice to the Trustee provided for in this Section 3.01 at least 45 days before the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee).

SECTION 3.02. Selection of Securities to Be Redeemed. If less than all the outstanding Securities are to be redeemed at any time, the Trustee shall select the Securities to be redeemed pro rata or by lot or, if such methods are prohibited by the rules of any stock exchange on which the Securities are then listed, any other method that complies with applicable legal requirements and the requirements of any exchange on which the Securities are listed and which the Trustee considers fair and appropriate. The Trustee shall make the selection from outstanding Securities not previously called for redemption. Securities and portions of them the Trustee selects shall be in principal amounts of \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of Securities to be redeemed.

SECTION 3.03. Notice of Redemption. At least 30 days but not more than 60 days before a Redemption Date, the Company shall mail or cause to be mailed a notice of redemption by first class mail, postage prepaid, to each Holder of Securities to be redeemed at the Holder's last address, as it shall appear on the Register. A copy of such notice shall be mailed to the Trustee on the same day the notice is mailed to Holders of Securities.

The notice shall identify the Securities to be redeemed and shall state:

- (a) the Redemption Date;
- (b) the Redemption Price;
- (c) the CUSIP number (subject to the provisions of Section 2.11 hereof);
- (d) the name and address of the Paying Agent;
- (e) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;
- (f) if fewer than all the outstanding Securities are to be redeemed, the identification and principal amounts of the particular Securities to be redeemed; and

(g) that, unless the Company defaults in making such redemption payment, interest will cease to accrue on Securities called for redemption on and after the Redemption Date and the only remaining right of the Holders of such Securities is to receive payment of the Redemption Price upon surrender to the Trustee of the Securities.

At the Company's written request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense; provided, however, that in all cases, the text of such notice of redemption shall be prepared or approved by the Company and the Trustee shall have no responsibility whatsoever with regard to such notice being accurate or correct.

SECTION 3.04. Effect of Notice of Redemption. Once notice of redemption is given, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price. Upon the later of the Redemption Date and the date such Securities are surrendered to the Paying Agent, such Securities called for redemption shall be paid at the Redemption Price, plus accrued and unpaid interest to the Redemption Date, if money sufficient for that purpose has been deposited as provided in Section 3.06 hereof.

Notice of redemption shall be deemed to be given when mailed, whether or not the Holder receives the notice. In any event, failure to give such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of the Securities.

SECTION 3.05. Deposit of Redemption Price. Prior to the Redemption Date, the Company shall deposit with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of either of them is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the Redemption Price of all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption which prior thereto have been delivered by the Company to the Trustee for cancellation.

SECTION 3.06. Securities Redeemed in Part. Upon surrender of a Security that is redeemed in part, the Company shall execute, and the Trustee shall authenticate and make available for delivery to the Holder, a new Security in an authorized denomination equal in principal amount to the unredeemed portion of the Security surrendered.

ARTICLE 4 COVENANTS

SECTION 4.01. Payment of Securities. The Company shall pay the principal of, premium, 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 Securities on (or prior to) the dates and in the manner provided in the Securities or pursuant to this Indenture. An installment of principal, premium, if any, or interest shall be considered paid on the applicable date due if on such date the Trustee or the Paying Agent holds, in accordance with this Indenture, money sufficient to pay all of such installment then due. The Company shall pay interest on overdue principal and premium, 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 Securities, which interest on overdue interest shall accrue from the date such amounts became overdue. The provisions of this Section 4.01 shall not be deemed to excuse any Event of Default set forth in Section 6.01.

SECTION 4.02. SEC Reports.

(a) The Company shall

(1) file with the Trustee and supply to each Holder of the Securities, without cost, within 15 days after it files the same with the SEC, copies of its annual reports and of the information, documents and other reports, (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); or, if the Company is not subject to the reporting requirements of the Exchange Act, then the Company shall file with the SEC and the Trustee, in accordance with rules and regulations prescribed by the SEC, and supply to each Holder of the Securities, without cost, within 15 days after it has filed with the SEC, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act, in respect of a security listed and registered on a national securities exchange as may be prescribed in such rules and regulations;

(2) file with the SEC and the Trustee, in accordance with rules and regulations prescribed by the SEC, and supply to each Holder of the Securities, without cost, within 15 days after it has filed with the SEC, such additional information, documents, and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture, as may be required by such rules and regulations; and

(3) if not otherwise required pursuant to this Section 4.02, file with the Trustee, within 30 days after it would have been required to file with the SEC had it been subject to the requirements of Sections 13 or 15(d) of the Exchange Act, and supply to each Holder of the Securities, without cost, within 15 days after it has filed with the Trustee, financial statements, including any notes thereto, comparable to that which the Company would have been required to include in such quarterly or annual reports, as the case may be, if the Company was subject to the requirements of such Sections 13 or 15(d) of the Exchange Act.

(b) The Company shall also make such reports available to prospective purchasers of the Securities, securities analysts and broker-dealers upon their request. The Company shall also comply with the other provisions of TIA Section 314(a).

(c) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 4.03. Compliance Certificates.

(a) The Company shall deliver to the Trustee within 120 days after the end of each of the Company's fiscal years a certification from the principal executive officer, principal financial officer or principal accounting officer of the Company as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 4.03(a), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture. If they do know of such a Default or Event of Default, the certificate shall describe any such Default or Event of Default, and its status. Such Officers' Certificate need not comply with Sections 11.04 and 11.05 hereof.

(b) So long as not contrary to the then current recommendation of the American Institute of Certified Public Accountants, the Company shall deliver to the Trustee within 120 days after the end of each fiscal year a written statement by the Company's independent certified public accountants stating: (i) that their audit examination has included a review of the terms of this Indenture and the Securities as they relate to accounting matters; and (ii) whether, in connection with their audit examination, any Default has come to their attention and, if such a Default has come to their attention, specifying the nature and period of the existence thereof; provided, however, that the independent certified public accountants delivering such statement shall not be liable in respect of such statement by reason of any failure to obtain knowledge of any such Default or Event of Default that would not be disclosed in the course of an audit examination conducted in accordance with GAAP.

(c) The Company shall deliver to the Trustee as soon as possible and in any event within 15 days after the Company becomes aware of the occurrence of each Default or Event of Default, which is continuing, a certificate from the principal financial officer of the Company setting forth the details of such Default or Event of Default, and the action which the Company proposes to take with respect thereto.

(d) The Company shall deliver to the Trustee any information reasonably requested by the Trustee in connection with the compliance by the Trustee or the Company with the TIA.

SECTION 4.04. Further Instruments and Acts. Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

SECTION 4.05. Maintenance of Office or Agency. The Company will maintain, or cause to be maintained, within the City and State of New York, an office or agency of the Trustee, Registrar and Paying Agent where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer, exchange or redemption and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The corporate trust office of the Trustee at 101 Barclay Street, Floor 21 West, New York, New York 10286, Attention: Corporate Trust Trustee Administration, shall initially be such office or agency for all of the aforesaid purposes. The Company shall give prompt written notice to the Trustee of any change of location of such office or agency. If at any time the Company shall fail to maintain or cause to be maintained any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 11.02 hereof.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in location of any such other office or agency.

SECTION 4.06. 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 Securities 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 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 is convertible into such Capital Stock to the extent such Indebtedness is converted into Capital Stock; or (iii) the Company could not incur \$1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to Section 4.07.

Notwithstanding any of the foregoing provisions of Section 4.06, 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 to 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.

SECTION 4.07. 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.

SECTION 4.08. 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 date of the Indenture or arising pursuant to the Revolving Credit Facility or the Merrill Loan, (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 clauses (i) or (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.

SECTION 4.09. 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 unless: (a) such Affiliate is (both before and after such transaction) (i) a Wholly-owned Subsidiary or (ii) a Subsidiary the minority interests in which are not held by an Affiliate; 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 of 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 date hereof, 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 4.06.

SECTION 4.10. Repurchase Upon Change of Control. Unless the Company shall have theretofore sent notice to the Trustee pursuant to Section 3.01 to call all of the outstanding Securities for redemption, upon the occurrence of a Change of Control, each Holder of the Securities will have the right to require that the Company purchase all or a portion of such Holder's Securities at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, on the principal amount purchased, to the Change of Control Payment Date (as defined) in accordance with the terms set forth below.

Notwithstanding the foregoing, if at the time of the occurrence of a Change of Control, the terms of any Senior Indebtedness restrict or prohibit the repurchase of the Securities pursuant to this Section 4.10, then prior to the mailing of the notice to Holders provided for in this Section 4.10 but in any event within 30 days following any such Change of Control, the Company shall (i) repay in full all such Senior Indebtedness or offer to repay in full all such Senior Indebtedness and repay the Indebtedness of each lender who accepted such offer or (ii) obtain any required consent or waiver under all such Senior Indebtedness to permit the repurchase of the Securities as provided for in this Section 4.10.

Within thirty days following any Change of Control, the Company will mail a notice to the Trustee and to each Holder stating:

(a) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase all or a portion of such Holder's Securities at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest on the principal amount purchased, if any, to the Change of Control Payment Date;

(b) the circumstances and relevant facts regarding such Change of Control (including information with respect to historical, pro forma and projected financial information, after giving effect to such Change of Control and information regarding the Persons acquiring control and such Persons' business plans for the Company);

(c) the purchase date specified by the Company (which will be not earlier than 30 days or later than 45 days from the date of such notice, unless otherwise required by law) (the "Change of Control Payment Date");

(d) that on the Change of Control Payment Date, the purchase price will become due and payable upon the Securities accepted for payment, and that interest thereon shall cease to accrue on and after such date unless there is a default in payment by the Company;

(e) that any Security not tendered for purchase by the Company will continue to accrue interest;

(f) the place or places where such Securities are to be surrendered for payment of the purchase price (each of which shall be an office or agency maintained by the Company pursuant to Section 4.05 hereof);

(g) that a Holder of Securities electing to require the Company to purchase its Securities will be required to deliver such Securities with the form entitled "Option of Holder to Elect Purchase" on the reverse side of the Securities properly completed ("Notice of Election"), at the place or places specified in the notice at least five Business Days prior to the Change of Control Payment Date;

(h) that such Notice of Election shall be irrevocable absent the written consent of the Company; and

(i) that Holders whose Securities are being purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered; provided, however, that each Security purchased and each such new Security issued shall be in a principal amount of \$1,000 or integral multiples thereof.

Holders of Securities will have the right to have their Securities purchased by the Company if such Securities, with the Notice of Election properly completed, are tendered for purchase, to the place referred to in (f) above, at any time beginning on the date such notice is mailed and ending at the close of business on the fifth Business Day prior to the applicable Change of Control Payment Date.

Before a Change of Control Payment Date, the Company shall (i) accept for payment Securities properly surrendered pursuant to the provisions hereof, (ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Securities so accepted and (iii) deliver to the Trustee Securities so accepted together with an Officers' Certificate stating that the Securities have been so accepted for payment by the Company. The Paying Agent shall

promptly mail or deliver to Holders of Securities so accepted payment in an amount equal to the purchase price.

SECTION 4.11. 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, receives 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 filed with the Trustee); and (b) at least 75% of such consideration consists of cash. Within 180 days of the receipt of Net Cash Proceeds (as defined) 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, (iii) any combination of (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 Asset Sale 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 4.11.

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 Securities from all Holders of the Securities at an offer price in cash in an amount equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date fixed for the closing of such offer, substantially in accordance with the procedures for a repurchase upon a Change of Control described in Section 4.10 hereof. To the extent that the aggregate principal amount, plus accrued and unpaid interest thereon, of the Securities 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. If the aggregate principal amount, plus accrued and unpaid interest thereon, of the Securities properly tendered pursuant to such offer is greater than the Excess Proceeds, the Trustee or its agent shall select the Securities to be purchased on a pro rata basis, based upon the proportion of a Security properly tendered to the aggregate amount of all Securities properly tendered, and shall promptly return to the Holder thereof all Securities, or portions thereof, delivered but not purchased. Upon completion of such offer to purchase, the amount of Excess Proceeds will be reset at zero.

SECTION 4.12. 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 none of the Company or 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.

SECTION 4.13. Corporate Existence. Subject to Article 5 hereof, 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 adverse in any material respect to the Holders.

SECTION 4.14. 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 4.14 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) 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.

SECTION 4.15. Investment Company Act. The Company shall not become an investment company subject to registration under the Investment Company Act of 1940, as amended.

SECTION 4.16. Covenant to Comply with Securities Laws Upon Purchase of Securities. In connection with any offer to purchase or purchase of Securities under Sections 4.10 or 4.11 hereof, 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 Sections 4.10 and 4.11 hereof to be exercised in the time and in the manner specified in Sections 4.10 and 4.11 hereof.

ARTICLE 5 SUCCESSOR CORPORATION

SECTION 5.01. 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 other 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 indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Securities and this Indenture, and this Indenture 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; and

(c) 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 5.01 shall not apply to any transaction or series of transactions involving the Company if a Change of Control shall result therefrom and the Company is required to comply with the provisions of Section 4.10, in which case Section 4.10 shall apply.

In connection with any consolidation, merger or transfer contemplated hereby, the Company shall deliver, or cause to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and the supplemental indenture in respect thereto comply with this Section 5.01 and that all conditions precedent herein provided for relating to such transactions have been complied with.

SECTION 5.02. Successor Corporation Substituted. 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 such transfer is made, shall succeed to, and be substituted for, and may exercise every right and power of the Company under this Indenture 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 obligations and covenants under this Indenture and the Securities.

ARTICLE 6 DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default. An "Event of Default" occurs if one of the following shall have occurred and be continuing:

(a) the Company defaults in the payment, when due and payable, of (i) interest on any Security and the default continues for a period of 30 days, or (ii) the principal of or premium, if any, on any Securities when the same becomes due and payable at maturity, acceleration, on the Redemption Date, on the Change of Control Payment Date, on any payment date respecting an offer to purchase using Excess Proceeds or otherwise;

(b) the Company fails to comply with any of its covenants or agreements in Article 5 of this Indenture;

(c) the Company fails to comply with any of its covenants or agreements in the Securities or this Indenture (other than those referred to in clauses (a) and (b) of this Section 6.01) and such failure continues for 60 days after receipt by the Company of a Notice of Default;

(d) a default by the Company or any Subsidiary in the payment of any principal of or interest on any Indebtedness (including the Revolving Credit Facility) when due (after giving effect to any applicable grace periods and waivers), the principal amount of which, individually or in the aggregate, exceeds \$10,000,000 (whether such Indebtedness exists as of the Issue Date or is thereafter created) and such payment

default shall have resulted in such Indebtedness becoming due prior to its stated maturity;

(e) the Company or any Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case or proceeding;

(ii) consents to the entry of an order for relief against it in an involuntary case or proceeding;

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property;

(iv) makes a general assignment for the benefit of its creditors;
or

(v) admits in writing its inability to pay its debts generally as they become due;

(f) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company or any Subsidiary in an involuntary case or proceeding;

(ii) appoints a Custodian of the Company or any Subsidiary for all or substantially all of its properties;

(iii) orders the liquidation of the Company or any Subsidiary;

(iv) and, in each case, the order or decree remains unstayed and in effect for 60 days; or

(g) the Company or any of its Subsidiaries fails to pay final judgments or orders against it which require the payment of money, either individually or in an aggregate amount, that is in excess of \$10,000,000 and either (i) the commencement by any creditor of any enforcement proceeding upon any such judgment or order, or (ii) such judgment or order remains unsatisfied or unstayed for 60 days.

"Bankruptcy Law" means Title 11, United States Code, or any similar federal or state law for the relief of debtors. "Custodian" means any receiver, trustee, assignee, liquidator, sequestrator, custodian or similar official under any Bankruptcy Law.

A Default under clause (c) above is not an Event of Default until the Trustee notifies the Company or the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding notify the Company and the Trustee, of the Default and the Company does not cure such Default within the time specified in clause (c) above after receipt of such notice.

Any such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default."

SECTION 6.02. Acceleration. If any Event of Default under clauses (a), (b), (c), (d) or (g) of Section 6.01 occurs and is continuing, the Trustee may, by notice to the Company, or the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding may, by notice to the Company and the Trustee (each, an "Acceleration Notice"), and the Trustee shall, upon the request of such Holders, declare the principal of the Securities, premium, if any, and accrued and unpaid interest to be due and payable immediately. If any Event of Default under clauses (e) or (f) of Section 6.01 occurs, all principal, premium, if any, and interest on the Securities will immediately become due and payable without any declaration or other act on the part of the Trustee or any Holder. The Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding by written notice to the Trustee and to the Company may rescind an Acceleration Notice and its consequences (except an acceleration due to a default in payment of the principal on any of the Securities) if all existing Events of Default have been cured or waived except non-payment of principal or interest that has become due solely because of the acceleration. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

SECTION 6.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any, or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if the Trustee does not possess any of the Securities or does not produce any of the Securities in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of, or acquiescence in, the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 6.04. Waiver of Past Defaults. The Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding, by notice to the Trustee (and without notice to any other Securityholder), may waive an existing Default or Event of Default and its consequences except (a) an Event of Default described in Section 6.01(a) hereof, or (b) a Default in respect of a provision that under Section 9.02 hereof cannot be amended without the consent of each Securityholder affected. When a Default or Event of Default is waived, it is deemed cured and shall cease to exist, but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any consequent right.

SECTION 6.05. Control by Majority. The Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines in good faith is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability. The Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 6.06. Limitation on Suits. Except as provided in Section 6.07 hereof, a Holder may not pursue any remedy with respect to this Indenture or the Securities unless:

(a) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;

(b) the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding make a written request to the Trustee to pursue the remedy;

(c) such Holder or Holders offer and, if requested, provide to the Trustee reasonable security or indemnity against any loss, liability or expense satisfactory to the Trustee;

(d) the Trustee does not comply with the request within 30 days after receipt of the notice, the request and the offer of security or indemnity; and

(e) the Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding do not give the Trustee a direction inconsistent with the request during such 30-day period.

A Securityholder may not use this Indenture to prejudice the rights of any other Securityholder or to obtain a preference or priority over any other Securityholder.

SECTION 6.07. Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of the principal amount, premium, if any, and interest, in respect of the Securities held by such Holder, on or after the respective due dates expressed in the Securities, any Redemption Date, any Change of Control Payment Date, or any payment date respecting an obligation to purchase using Excess Proceeds, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected adversely without the consent of each such Holder.

SECTION 6.08. Collection Suit by Trustee. If an Event of Default described in Section 6.01(a) hereof occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then due and owing (together with interest on any unpaid interest to the extent lawful) with respect to the Securities and the amounts provided for in Section 7.07 hereof.

SECTION 6.09. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or the property of the Company, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal amount, premium, if any, and interest on the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding; and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. Priorities. If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

FIRST: to the Trustee for amounts due under Section 7.07 hereof;

SECOND: to holders of Senior Indebtedness to the extent required by Article 10;

THIRD: to Securityholders for amounts due and unpaid on the Securities for the principal amount, premium, if any, Redemption Price or interest, if any, as the case may be, ratably, without preference or priority of any kind, according to such amounts due and payable on the Securities; and

FOURTH: the balance, if any, to the Company.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section 6.10.

SECTION 6.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant (other than the Trustee) in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 hereof or a suit by Holders of more than 10% in aggregate principal amount of the Securities at the time outstanding.

ARTICLE 7 TRUSTEE

SECTION 7.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statement and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificate or opinion which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own failure to act or its own willful misconduct, except that:

(i) this paragraph (c) does not limit the effect of paragraph (b) of this Section 7.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (e) of this Section 7.01 and Section 7.02.

(e) The Trustee may refuse to perform any duty or exercise any right or power or extend or risk its own funds or otherwise incur any financial liability unless it receives security or indemnity reasonably satisfactory to it against any loss, liability or expense.

(f) Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money held by it hereunder.

SECTION 7.02. Rights of Trustee.

(a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate and an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate and Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that the Trustee's conduct does not constitute willful misconduct or negligence.

(e) The Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

SECTION 7.03. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar or co-registrar may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11 hereof.

SECTION 7.04. Trustee's Disclaimer. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement in this Indenture or the Securities (other than its certificate of authentication) or in any document issued in connection with the sale of the Securities, or the determination as to which beneficial owners are entitled to receive any notices hereunder.

SECTION 7.05. Notice of Defaults. If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Securityholder as their names and addresses appear on the Register notice of the Default within 90 days after it becomes known to the Trustee unless such Default shall have been cured or waived. Except in the case of a Default described in Section 6.01(a) hereof, the Trustee may withhold such notice if and so long as a committee of Trust Officers in good faith determines that the withholding of such notice is in the interests of Securityholders. The second sentence of this Section 7.05 shall be in lieu of the proviso to Section 315(b) of the TIA and said proviso is hereby expressly excluded from this Indenture, as permitted by the TIA.

SECTION 7.06. Reports by Trustee to Holders. Within 60 days after each April 15 beginning with April 15, 1997, the Trustee shall mail to each Securityholder a brief report dated as of such April 15 in accordance with and to the extent required under Section 313 of the TIA. The Trustee shall also comply with Section 313(b)(2) of the TIA.

A copy of each report at the time of its mailing to Securityholders shall be filed with the Company and, if applicable, the SEC and each stock exchange on which the Securities are listed. The Company agrees to promptly notify the Trustee whenever the Securities become listed on any stock exchange and of any delisting thereof.

SECTION 7.07. Compensation and Indemnity. The Company agrees:

(a) To pay to the Trustee from time to time such compensation as shall be agreed in writing between the Company and the Trustee for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) To reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses, disbursements and advances of its agents and counsel), including all reasonable expenses, disbursements and advances incurred or made by the Trustee in connection with any membership on any creditor's committee, except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) To indemnify the Trustee, its officers, directors and stockholders, for, and to hold it harmless against, any and all loss, liability, damage, claim, or expense, including taxes (other than taxes based on the income of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The Trustee shall have a claim and lien prior to the Securities as to all property and funds held by it hereunder for any amount owing it or any predecessor Trustee pursuant to this Section 7.07, except with respect to funds held in trust for the payment of principal of, premium, if any, or interest on particular Securities.

The Company's payment obligations pursuant to this Section 7.07 will survive the discharge of this Indenture. When the Trustee renders services or incurs expenses after the occurrence of a Default specified in Section 6.01 hereof, the compensation for services and expenses are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.08. Replacement of Trustee. The Trustee may resign by so notifying the Company in writing at least 30 days prior to the date of the proposed resignation; provided, however, no such resignation shall be effective until a successor Trustee has accepted its appointment pursuant to this Section 7.08. The Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding may remove the Trustee by so notifying the Trustee in writing and may appoint a successor Trustee subject to the consent of the Company. The Trustee shall resign if:

- (a) the Trustee fails to comply with Section 7.10 hereof;
- (b) the Trustee is adjudged bankrupt or insolvent;
- (c) a receiver or public officer takes charge of the Trustee or its property; or
- (d) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint, by resolution of its Board of Directors, a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. Subject to payment of all amounts owing to the Trustee under Section 7.07 hereof and subject further to its lien under Section 7.07, the retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, then the retiring Trustee, the Company or the Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10 hereof, any Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

SECTION 7.09. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets (including this Trusteeship) to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

SECTION 7.10. Eligibility; Disqualification. The Trustee shall at all times satisfy the requirements of TIA Section 310(a)(1). The Trustee shall have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition. No obligor (as such term is defined in the TIA) upon the Securities or Person, directly or indirectly, controlling, controlled by, or under common control with such obligor shall serve as the Trustee with respect to the Securities. The Trustee shall comply with TIA Section 310(b). In determining whether the Trustee has conflicting interests as defined in TIA Section 310(b)(1), the provisions contained in the proviso to TIA Section 310(b)(1) shall be deemed incorporated herein.

SECTION 7.11. Preferential Collection of Claims Against The Company. If and when the Trustee shall be or become a creditor of the Company (or any other obligor under the Securities), the Trustee shall be subject to the provisions of the TIA regarding the collection of claims against the Company (or any such other obligor).

ARTICLE 8 DISCHARGE OF INDENTURE AND DEFEASANCE

SECTION 8.01. Satisfaction and Discharge of Indenture. Subject to Sections 2.06 and 7.07 hereof, this Indenture shall cease to be of further effect with respect to the Securities (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for and rights to receive payments of principal, premium, if any, and interest thereon) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when: (a) all Securities theretofore authenticated and delivered (other than (A) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.07 hereof; (B) Securities which are purchased pursuant to Sections 4.10 or 4.11 hereof; and (C) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 8.05) have been delivered to the Trustee for cancellation; (b) the Company has paid or caused to be paid all other sums payable hereunder by the Company with respect to the Securities; and (c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

SECTION 8.02. Defeasance. The Company may, at its option, at any time, elect to have either clause (a) or (b) below applied to the outstanding Securities upon compliance with the conditions set forth in Section 8.03 below: (a) upon exercise of the option applicable to this clause (a), the Company shall be deemed to have been released and discharged from its obligations with respect to the outstanding Securities on the date the conditions set forth in Section 8.03 below are satisfied (hereinafter, "legal defeasance"). For this purpose, the Company shall be deemed to have paid and discharged the entire indebtedness represented by the outstanding Securities, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.04 and the other Sections of this Indenture referred to in (i) and (ii) below, and to have satisfied all its other obligations under such Securities and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder (i) the rights of Holders of outstanding Securities to receive solely from the trust fund described in Section 8.03 and as more fully set forth in such Section, payments in respect of the principal of (and premium, if any) and interest on such Securities when such payments are due, (ii) the Company's obligations with respect to such Securities under Sections 2.04, 2.06, 2.07, 2.09 and 4.05, (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's obligations in connection therewith, and (iv) this Article 8; and (b) upon exercise of the option applicable to this clause (b), the Company shall be released and discharged from its obligations under any covenant contained in Sections 4.02 through 4.04, Sections 4.06 through 4.16 and in Article 5 with respect to the outstanding Securities on or after the date the conditions set forth in Section 8.03 below are satisfied (hereinafter, "covenant defeasance"), and the Securities shall thereafter be deemed to be not "outstanding" for the purpose of any direction, waiver, consent or declaration or act of Holders of Securities (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to the outstanding Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01, but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby.

SECTION 8.03. Conditions to Defeasance. The following shall be the conditions to application of either clause (a) or (b) of Section 8.02 above to the outstanding Securities: (a) the Company shall irrevocably have deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, money, direct non-callable obligations of, or non-callable obligations guaranteed by, the United States of America for the payment of which guarantee or obligation the full faith and credit of the United States is pledged ("U.S. Government Obligations") which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide cash in an amount, or a combination of money and U.S. Government Obligations in such amounts, as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge and which shall be applied by the Trustee to pay and discharge the principal of

(and premium, if any) and interest on the outstanding Securities on the Stated Maturity of such principal (and premium, if any) or installment of interest or upon redemption on the day on which such payments are due and payable in accordance with the terms of this Indenture and of such Securities; provided, however, that the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such U.S. Government Obligations to said payments with respect to the Securities; (b) in the case of a legal defeasance under clause (a) of Section 8.02 above, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date hereof there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred; (c) in the case of a covenant defeasance under clause (b) of Section 8.02 above, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; (d) no Default or Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit or, insofar as subsection 6.01(e) or 6.01(f) is concerned, at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period); (e) such legal or covenant defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company is a party or by which the Company is bound; (f) the Company shall have paid or duly provided for payment of all amounts due to the Trustee pursuant to this Indenture; (g) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that all preference periods applicable to the defeasance trust have expired under applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; and (h) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the legal or covenant defeasance, as the case may be, under Section 8.02 above have been complied with.

SECTION 8.04. Deposited Money and U.S. Government Obligations to be Held in Trust; Miscellaneous Provisions. Subject to Section 8.05, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee pursuant to Section 8.03 in respect of the outstanding Securities shall be held in a trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities of all sums due and to become due thereon in respect of principal (and premium, if any) and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 8.03 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of outstanding Securities.

SECTION 8.05. Repayment to the Company. Subject to Section 7.07, the Trustee and the Paying Agent shall promptly pay to the Company upon written request any excess money or U.S. Government Obligations held by them at any time. The Trustee and the Paying Agent shall return to the Company upon written request any money held by them for the payment of any amount with respect to the Securities that remain unclaimed for two years; provided, however, that the Trustee or such Paying Agent, before being required to make such return, may, in the name and at the expense of the Company, cause to be published once in The Wall Street Journal or another daily newspaper of national circulation or mail to each such Holder notice that such money or securities remain unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing, any unclaimed money or securities then remaining will be returned to the Company. After return to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

SECTION 8.06. Reinstatement. If the Trustee or Paying Agent is unable to apply any money in accordance with Section 8.03 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.03 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.03; provided, however, that if the Company makes any payment of interest on or principal of any Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9 AMENDMENTS

SECTION 9.01. Without Consent of Holders. From time to time the Company, when authorized by a resolution of its Board of Directors, and the Trustee, without notice to or the consent of the holders of the Securities issued hereunder, may amend or supplement this Indenture or the Securities as follows:

- (a) to cure any ambiguity, defect or inconsistency;
- (b) to comply with Article 5 hereof;
- (c) to provide for uncertificated Securities in addition to or in place of certificated Securities so long as such uncertificated Securities are in registered form for purposes of the Internal Revenue Code of 1986, as amended;
- (d) to make any other change that does not adversely affect the rights of any Securityholder; or
- (e) to comply with any requirement of the SEC in connection with the qualification of this Indenture under the TIA.

The Trustee is hereby authorized and directed to join with the Company in the execution of any supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its own rights, duties or immunities under this Indenture.

After an amendment under this Section 9.01 becomes effective, the Company shall mail to each Holder a notice briefly describing the amendment. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment or waiver.

SECTION 9.02. With Consent of Holders. With the written consent of the Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding, the Company and the Trustee may amend this Indenture or the Securities or may waive future compliance by the Company with any provisions of this Indenture or the Securities. However, without the consent of each Securityholder affected, a waiver or an amendment to this Indenture or the Securities may not:

(a) reduce the percentage of principal amount of the Securities whose Holders must consent to an amendment or waiver;

(b) make any change to the stated maturity of the principal of, premium, if any, or any interest on, the Securities or any Redemption Price thereof, or impair the right to institute suit for the enforcement of any such payment or make any Security payable in money or securities other than that stated in the Security;

(c) waive a default in the payment of the principal of, premium, if any, or interest on, any Security;

(d) make any change in the provisions of Sections 4.10, 4.11, 6.04 or 6.07 hereof;

(e) make any change to Sections 9.01 or 9.02 hereof; and

(f) modify the provisions of Article 10 hereof in a manner adverse to the Holders.

For the purposes of determining whether Holders of the required principal amount have consented to such waiver, modification or action, Securities of a Holder which are tendered or offered for sale to or are repurchased, redeemed or retired by the Company or any of its Subsidiaries or any of their Affiliates substantially contemporaneously or in connection with the solicitation of such consent shall be disregarded.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

In the event that certain Holders are willing to defer or waive certain obligations of the Company hereunder with respect to Securities held by them, such deferral or waiver shall not be deemed to affect any other Holder who receives the subject payment or performance in a timely manner.

After an amendment or waiver under this Section 9.02 becomes effective, the Company shall mail to each Holder a notice briefly describing the amendment or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment or waiver.

An amendment under this Section 9.02 may not make any change in Article 10 or the definition of Senior Indebtedness or Revolving Credit Facility unless the holders of Senior Indebtedness, pursuant to its terms, consent to the change. The Trustee shall give prompt notice to the holders of any Senior Indebtedness of any proposed amendment, waiver, or supplement under this Section 9.02 and a copy of the final form thereof.

SECTION 9.03. Compliance with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article 9 shall comply with the TIA.

SECTION 9.04. Revocation and Effect of Consents, Waivers and Actions. Until an amendment, waiver or other action by Holders becomes effective, a consent to it or any other action by a Holder of a Security hereunder is a continuing consent by the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same obligation as the consenting Holder's Security, even if notation of the consent, waiver or action is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent, waiver or action as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the consent of the requisite aggregate principal amount of the Securities at the time outstanding has been obtained and not revoked. After an amendment, waiver or action becomes effective, it shall bind every Securityholder, except as provided in Section 9.02 hereof.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment or waiver. If a record date is fixed, then, notwithstanding the first two sentences of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than six months after such record date.

SECTION 9.05. Notation on or Exchange of Securities. Securities authenticated and made available for delivery after the execution of any supplemental indenture pursuant to this Article 9 may, and shall, if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors of the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and made available for delivery by the Trustee in exchange for outstanding Securities.

SECTION 9.06. Trustee to Sign Supplemental Indentures. The Trustee shall sign any supplemental indenture authorized pursuant to this Article 9 if the supplemental indenture does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing such amendment the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Officers' Certificate and Opinion of Counsel stating that such supplemental indenture is authorized or permitted by this Indenture.

SECTION 9.07. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article 9, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and made available for delivery hereunder shall be bound thereby.

ARTICLE 10 SUBORDINATION

SECTION 10.01. Securities Subordinate to Senior Indebtedness. Anything in this Indenture or the Securities to the contrary notwithstanding, the Company covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article, the Indebtedness represented by the Securities and the payment of the principal of (and premium, if any) and interest on (including any payments required under any provision of this Indenture and the Securities, including Section 4.10 and 4.11) each and all of the Securities and other amounts owed by the Company under this Indenture and the Securities 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 6.01(e) or (f), 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 Indenture and the Securities, "paying the Securities", "payment of the Securities" 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 Securities or other amounts owed by the Company under this Indenture and the Securities (other than amounts owing to the Trustee pursuant to Section 7.07 hereof) or to acquire or repurchase pursuant to the provisions of this Indenture or redeem, retire or defease all or any portion of the Securities or to make any deposit, payment or transfer in furtherance of any of the foregoing.

This Article 10 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.

SECTION 10.02. Payment Over of Proceeds upon Dissolution, etc. In the event of (a) 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 (b) any liquidation, dissolution or other winding up of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) 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:

(1) 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 Securities are entitled to receive any payment on account of principal of (or premium, if any) or interest on the Securities or other amounts owed by the Company under this Indenture and the Securities (other than amounts owing to the Trustee pursuant to Section 7.07 hereof); and

(2) 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 or the Trustee would be entitled but for the provisions of this Article 10, 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 Securities (except for any such payment or distribution (x) authorized by an order or decree giving effect, and stating in such order or decree that effect is given, to the subordination of the Securities to the Senior Indebtedness, and made by a court of competent jurisdiction in a reorganization proceeding under any applicable bankruptcy law, or (y) of securities that are subordinated, to at least the same extent as the Securities, 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

(3) in the event that, notwithstanding the foregoing provisions of this Section, the Trustee or the Holder of any Security 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 (2) 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 Securities, 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 Article 5 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 Article 5.

SECTION 10.03. No Payment When Senior Indebtedness in Default.

(i) 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 Trustee by (a) in the case of the Revolving Credit Facility, the bank agent under the Revolving Credit Facility, or (b) 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 Securities (except from those funds held in trust for the benefit of the Holders of any Securities to such Holders pursuant to the provisions of Article 3 or Article 8) 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.

(ii) 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 Trustee by (a) in the case of the Revolving Credit Facility, the bank agent under the Revolving Credit Facility, or (b) 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 the Securities (except from those funds held in trust for the benefit of the Holders of any Securities to such Holders pursuant to the provisions of Article 3 or Article 8) until the earlier of (x) 179 days after the date on which a Covenant Default Notice shall have been given and (y) 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 herein 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 10.03 is in effect, 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 Trustee 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 Trustee or the Holder of any Security prohibited by the foregoing provisions of this Section 10.03, 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 10.02 would be applicable.

SECTION 10.04. Payment Permitted If No Default. Nothing contained in this Article or elsewhere in this Indenture or in any of the Securities shall prevent the Company, at any time except under the circumstances described in Section 10.02 or under the conditions described in Section 10.03, from making payments at any time of principal of (and premium, if any) or interest on the Securities or other amounts owed by the Company under this Indenture and the Securities (other than amounts owing to the Trustee pursuant to Section 7.07 hereof).

SECTION 10.05. 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 Article 10 shall entitle any Holders of the Securities or the Trustee to exercise any right of subrogation in respect thereof until the Senior Indebtedness shall have been paid in full.

SECTION 10.06. Provisions Solely to Define Relative Rights. The provisions of this Article 10 are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities on the one hand and the holders of Senior Indebtedness on the other hand. Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall (a) impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest on the Securities 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 Securities and creditors of the Company other than the holders of Senior Indebtedness; or (c) prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the express limitations set forth in Article 6 and to the rights, if any, under this Article 10 of the holders of Senior Indebtedness.

SECTION 10.07. Trustee to Effectuate Subordination; Further Actions. Each Holder of a Security by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article 10 and appoints the Trustee his attorney-in-fact for any and all such purposes.

If any proceeding referred to in Section 10.02(a), (b) or (c) above is commenced by or against the Company, the Trustee and Holders of the Securities shall duly and promptly take such action as the holders of Senior Indebtedness may reasonably request to collect on the Securities and to file appropriate claims or proofs of claim in respect of the Securities and to collect and receive any and all payments which may be payable upon or with respect to the Securities.

Holders of Senior Indebtedness or their representatives are hereby authorized to demand specific performance of the provisions of this Article, whether or not the Trustee or the Company shall have complied with any of the provisions hereof applicable to it, at any time when the Trustee or any Holder of Securities shall have failed to comply with any of the provisions of this Article applicable to it. The Trustee and Holders of the Securities 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 Trustee and Holders of the Securities 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 or purported to be granted hereby or to enable the holders of Senior Indebtedness or any of their representatives to exercise and enforce its rights and remedies hereunder.

SECTION 10.08. 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 Indenture, 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 Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article 10 or the obligations hereunder of the Holders of the Securities 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.

SECTION 10.09. Notice to Trustee. The Company shall give prompt written notice to the Trustee of any fact known to the Company which would prohibit the making of any payment to or by the Trustee in respect of the Securities. Notwithstanding the provisions of this Article 10 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee in respect of the Securities, unless and until the Trustee shall have received written notice thereof from the Company or a holder of Senior Indebtedness or from any trustee, fiduciary or agent therefor; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Section 7.05, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice provided for in this Section 10.09 at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (and premium, if any) or interest on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purpose for which such money was received and shall not be affected by any notice to the contrary which may be received by it within two Business Days prior to such date.

Subject to the provisions of Section 7.05, the Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a trustee, fiduciary or agent therefor) to establish that such notice has been given by a holder of Senior Indebtedness (or a trustee, fiduciary or agent therefor). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article 10, the Trustee may request that such Person furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article 10, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 10.10. Reliance on Judicial Order or Certificate of Liquidating Agent. Upon any payment or distribution of assets or securities of the Company referred to in Section 10.02, the Trustee, subject to the provisions of Section 7.05, and the Holders of the Securities shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency, bankruptcy, receivership, liquidation, reorganization, dissolution, winding up or similar case or proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Securities, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of Senior Indebtedness and other indebtedness of the Company, the amount thereof or payment thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10.

SECTION 10.11. Rights of Trustee as a Holder of Senior Indebtedness; Preservation of Trustee's Rights. The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article 10 with respect to any Senior Indebtedness which may at any time be held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

Nothing in this Article 10 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 7.07.

SECTION 10.12. Article Applicable to Paying Agents. In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee; provided, however, that the proviso clause in Section 10.09 and Section 10.10 shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as Paying Agent.

SECTION 10.13. Trust Moneys Not Subordinated. Notwithstanding anything contained in this Indenture to the contrary, payments from money or the proceeds of U.S. Government Obligations held in trust under Article 8 by the Trustee for the payment of principal, premium, if any, and interest on the Securities shall not be subordinated to the prior payment of any Senior Indebtedness or subject to the restrictions set forth in this Article 10, and none of the Securityholders shall be obligated to pay over any such amount to the Company or any holder of Senior Indebtedness or any other creditor of the Company.

SECTION 10.14. Trustee Not Fiduciary for Holders of Senior Indebtedness. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and shall not be liable to any such holders if the Trustee shall in good faith mistakenly pay over or distribute to Holders or to the Company or to any other person cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article 10 or otherwise. With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants or obligations as are specifically set forth in this Article 10 and no implied covenants or obligations with respect to holders of Senior Indebtedness shall be read into this Indenture against the Trustee.

SECTION 10.15. Waiver. The Trustee, Holders of the Securities 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 Article 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.

SECTION 10.16. 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 hereunder preclude any other or further exercise thereof or the exercise of any other

right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

ARTICLE 11
MISCELLANEOUS

SECTION 11.01. Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by operation of subsection (c) of Section 318 of the TIA, the imposed duties shall control. The provisions of Sections 310 to 317, inclusive, of the TIA that impose duties on any Person (including provisions automatically deemed included in an indenture unless the indenture provides that such provisions are excluded) are a part of and govern this Indenture, except as, and to the extent, expressly excluded from this Indenture, as permitted by the TIA.

SECTION 11.02. Notices. Any notice or communication shall be in writing and delivered in Person or mailed by first class mail, postage prepaid, addressed as follows:

If to the Company:

Consolidated Stores Corporation
300 Phillipi Road
P.O. Box 28512
Columbus, Ohio 43228-0512
Attention: General Counsel

If to the Trustee:

The Bank of New York
101 Barclay Street, Floor 21 West
New York, New York 10286
Attention: Corporate Trust Trustee Administration

The Company, or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication given to a Securityholder shall be mailed to the Securityholder at the Securityholder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not received by the addressee.

If the Company mails a notice or communication to the Securityholders, it shall mail a copy to the Trustee and each Registrar, Paying Agent or co-registrar.

SECTION 11.03. Communication by Holders with Other Holders. Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar, the Paying Agent and anyone else shall have the protection of TIA Section 312(c).

SECTION 11.04. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture 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.

SECTION 11.05. Statements Required in Certificate or Opinion. Each Officers' Certificate and Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(a) a statement that each Person making such 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 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 an Officers' Certificate or certificates of public officials.

SECTION 11.06. Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 11.07. Rules by Trustee, Paying Agent and Registrar . The Trustee may make reasonable rules for meetings of Securityholders or action by Securityholders. The Registrar and Paying Agent may make reasonable rules for their functions.

SECTION 11.08. Legal Holidays. A "Legal Holiday" is any day other than a Business Day. If any specified date (including a date for giving notice) is a Legal Holiday, the action shall be taken on the next succeeding day that is not a Legal Holiday, and, if the action to be taken on such date is a payment in respect of the Securities, no principal, premium, if any, or interest installment shall accrue for the intervening period.

SECTION 11.09. Governing Law. THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

SECTION 11.10. 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 Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder 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 Securities or this Indenture. The waiver and release shall be part of the consideration for the issue of the Securities.

SECTION 11.11. Successors. All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.12. Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SIGNATURES

IN WITNESS WHEREOF, the undersigned, being duly authorized, have executed this Indenture on behalf of the respective parties hereto as of the date first above written.

CONSOLIDATED STORES CORPORATION
The Company

By:

Name:
Title:

THE BANK OF NEW YORK
The Trustee

By:

Name:
Title:

Exhibit 10(b)(i)

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SHORT TERM LOAN AGREEMENT

Dated as of May 3, 1996

Among

CONSOLIDATED STORES CORPORATION,

as Borrower,

THE INITIAL LENDERS NAMED HEREIN,

as Initial Lenders,

and

MERRILL LYNCH CAPITAL CORPORATION,

as Agent

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SHORT TERM LOAN AGREEMENT

SHORT TERM LOAN AGREEMENT, dated as of May 3, 1996 among CONSOLIDATED STORES CORPORATION, an Ohio corporation (the "Borrower"), and the banks, financial institutions and other institutional lenders listed on the signature pages hereof (collectively, the "Initial Lenders"), and MERRILL LYNCH CAPITAL CORPORATION, a Delaware corporation ("MLCC"), as agent (the "Agent") for the Lenders (as hereinafter defined).

PRELIMINARY STATEMENT

The Borrower has requested the Lenders and the Agent to enter into this Agreement and to make the loan provided for herein, on the terms and conditions set forth in this Agreement, including, without limitation, the agreement of the Borrower to repay the Lenders with the proceeds of the Offering (as hereinafter defined) or otherwise. The Lenders have agreed to make a single loan to the Borrower on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acquisition" means the acquisition by the Borrower from Melville Corporation of 100% of the common stock of the Company pursuant to the terms of the Stock Purchase Agreement.

"Affiliate" of any Person means any other Person (a) which directly or indirectly controls, is controlled by, or is under common control with such Person, (b) which beneficially owns or holds 15% or more of any class of the voting or other equity interests of such Person, or (c) 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. Control, as used in this definition, 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 elect a majority of the directors or trustees of a corporation or trust, as the case may be.

"Agent's Account" means the account of the Agent maintained by the Agent at Chemical Bank with its office at 4 New York Plaza, 2nd Floor, New York, New York 10004, Account No. 1400-21153, Attention: Neil Parachini.

"Agreement" means this Short Term Loan Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Bank Agent" means PNC Bank, Ohio, National Association, as documentation agent and managing agent for the banks under the Bank Credit Agreement.

"Bank Credit Agreement" means the Credit Agreement dated as of May 3, 1996 among the Borrower, the Bank Agent, The Bank of New York, as syndication agent and managing agent, National City Bank of Columbus, as administrative agent and managing agent, Bank One, Columbus, N.A., as managing agent, National City Bank, as managing agent, and the banks parties thereto, and each of the other Loan Documents referred to therein, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms, and any replacements or refinancings thereof, in each case, to the extent permitted under the Loan Documents.

"Bank Event of Default" means an "Event of Default" described in Section 8.1 of the Bank Credit Agreement.

"Bank Notes" means the promissory notes issued to the Banks pursuant to the Bank Credit Agreement, as such promissory notes may hereafter be amended, supplemented or otherwise modified from time to time in accordance with their respective terms, to the extent permitted under the Loan Documents.

"Banks" means the banks and other financial institutions parties from time to time to the Bank Credit Agreement.

"Base Tangible Net Worth" means the sum of (i) \$325,000,000 plus 50% of Net Income of Parent and its Subsidiaries for each fiscal quarter in which net income was earned (as opposed to a net loss) from and after February 3, 1996, through the date of determination, as determined and consolidated in accordance with GAAP and (ii) the net cash proceeds from the sale of any capital stock or other equity interest of Parent less any sums paid or owing by the Parent since the date hereof with respect to the redemption, repurchase or other retirement or cancellation of any of its capital stock or other equity interests.

"Business Day" means any day other than a Saturday, Sunday or any other day on which commercial banks are required by law or authorized to close in Cleveland, Ohio

or New York City and, if the applicable Business Day relates to the Loan, on which dealings are carried on in the London interbank market and banks are open for business in London.

"Capital Expenditure" means any expenditure that is considered to be a capital expenditure under GAAP, including any amount which is required to be treated as an asset subject to a Capital Lease.

"Capitalized Lease" of any Person means any lease of Property or personal property by such Person as lessee which is a capital lease in accordance with GAAP.

"Change of Control" means any transaction if, after giving effect thereto, (a) Parent shall, directly or indirectly, own less than 100% of the Voting Stock of the Borrower, (b) any Person or group of Persons (within the meaning of Section 13(a) or 14(a) of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under such Act), directly or indirectly, of 33.33% or more of the combined Voting Stock of Parent or (c) within a period of 12 consecutive calendar months, individuals who were directors on the board of directors of the Parent on the first day of such period together with any directors whose election by such board of directors or whose nomination for election 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 Parent.

"Closing Date" has the meaning specified in Section 3.01.

"Commitment" has the meaning specified in Section 2.01.

"Company" means Kay-Bee Center, Inc., a California corporation.

"Compliance Certificate" means a compliance certificate in the form of Exhibit F signed by the chief executive officer or president and the chief financial officer of the Borrower.

"Consolidated" means the consolidation of the accounts of Parent and its Subsidiaries in accordance with GAAP.

"Consolidated Capital Expenditures" means, for any period, the aggregate of all expenditures (whether paid in cash or accrued as liabilities and including that portion of Capitalized Leases which is capitalized on a consolidated balance sheet of the Parent and its Subsidiaries) by the Parent and its Subsidiaries during that period that, in conformity with GAAP, are required to be included in or reflected in the property, plant or equipment or similar fixed asset accounts reflected on a consolidated basis of the Parent and its Subsidiaries.

"Consolidated EBIT" for any period of determination means an amount equal to (a) the sum of (i) the net income for such period plus (ii) interest expense in respect of Debt to the extent deducted in determining net income for such period ("Interest Expense"), plus (iii) the provision for taxes for such period based on income or profits to the extent such income or profits were included in computing net income for such period, minus (b) all extraordinary income and gains to net income to the extent included in net income for such period, in each case of Parent and its Subsidiaries for such period determined on a Consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" for any period of determination means an amount equal to the Interest Expense of Parent and its Subsidiaries as determined in clause (a)(ii) of the definition of the term "Consolidated EBIT" for such period on a Consolidated basis in accordance with GAAP.

"Consolidated Maturing Rentals" means the aggregate rental amounts payable by the Parent and its Subsidiaries for the most recent four full consecutive fiscal quarters immediately preceding the date of determination under any lease of Property having a remaining term (including any required renewals or any renewals at the option of the lessor or lessee) of less than one year (but does not include any amounts payable under Capitalized Leases), determined in accordance with GAAP.

"Consolidated Rentals" means, for any period of determination the aggregate rental amounts payable by Parent and its Subsidiaries for the most recent four consecutive fiscal quarters immediately preceding the date of determination under any lease of Property having a remaining term (including any required renewals or any renewals at the option of the lessor or lessee) of one year or more (but does not include any amounts payable under Capitalized Leases), determined in accordance with GAAP.

"Consolidated Tangible Net Worth" means as of any date of determination total stockholders' equity less intangible assets of Parent and its Subsidiaries as of such date determined and Consolidated in accordance with GAAP.

"Debt" means, as to any Person at any time, any and all debt, 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: (a) borrowed money, (b) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (c) 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 devise, (d) 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 debt and which are not more than 30 days past due) and (e) all Debt for borrowed

money of others guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person, including through an agreement to indemnify or hold harmless such other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business.

"Default" means any event or condition that, with notice or lapse of time or both, would become an Event of Default.

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; and (c) any other Person approved by the Agent and, so long as no Default shall have occurred and be continuing, by the Borrower, such approval not to be unreasonably withheld or delayed; provided, however, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law or any Environmental Permit, including, without limitation, (a) any claim by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental Law and (b) any claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to human health and safety or the environment.

"Environmental Law" means any applicable federal, state or local law, rule, regulation, order, writ, judgment, injunction, decree, written determination or award, or written judicial or agency interpretation, policy or guidance relating to the environment, human health and safety or Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Resource Conservation and Recovery Act, the Hazardous Materials Transportation Act, the Clean Water Act, the Toxic Substances Control Act, the Clean Air Act, the Safe Drinking Water Act, the Atomic Energy Act, the Federal Insecticide, Fungicide and Rodenticide Act and the Occupational Safety and Health Act, in each case as amended from time to time.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

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

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the controlled group of any Loan Party, or under common control with any Loan Party, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of any Loan Party or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by any Loan Party or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"Event of Default" has the meaning specified in Section 6.01.

"Exchange" has the meaning specified in Section 2.04(b)(i).

"Exchange Date" means May 3, 1997.

"Exchange Documents" means the Exchange Indenture, the Exchange Securities and the Registration Rights Agreement, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms.

"Exchange Indenture" means the indenture, in form and substance reasonably satisfactory to the Required Lenders and the Borrower, pursuant to which the Exchange Securities are to be issued.

"Exchange Loan Note" means a promissory note of the Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from such Lender's Pro Rata Share of the Loan.

"Exchange Securities" means the senior subordinated notes, in substantially the form set forth in the Exchange Indenture, to be issued under the Exchange Indenture pursuant to Section 2.04(b)(iii) in connection with the consummation of the Exchange.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on the previous trading day, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the Federal Funds Rate for the last day of which such rate was announced.

"Fixed Charge Coverage Ratio" means, on any date of determination, the ratio of (i) the sum of (a) Consolidated EBIT for the most recent four fiscal quarters ending on or prior to such date of determination plus (b) Consolidated Rentals plus (c) Consolidated Maturing Rentals to (ii) Fixed Charges for the most recent four fiscal quarters ending on or prior to such date.

"Fixed Charges" means, with respect to any Person for any period of determination, the sum of (a) Consolidated Interest Expense of such Person for the most recent four full consecutive fiscal quarters immediately preceding the date of plus (b) Consolidated Rentals of such Person during such period plus (c) Consolidated Maturing Rentals of such Person during such period.

"GAAP" has the meaning specified in Section 1.03.

"Guarantors" means the Parent and the Subsidiary Guarantors.

"Guaranties" means the Parent Guaranty and the Subsidiary Guaranty.

"Hazardous Materials" means (a) petroleum or petroleum products, natural or synthetic gas, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and radon gas, (b) any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any Environmental Law and (c) any other substance exposure to which is regulated under any Environmental Law.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

"Indemnified Party" has the meaning specified in Section 9.06(a).

"Interest Expense" has the meaning specified in clause (a)(ii) of the definition of Consolidated EBIT.

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

"Lenders" means the Initial Lenders and each Person that shall become a party hereto pursuant to Section 9.08.

"Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Lending Office" below its name on the signature pages hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Lien" means any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

"Loan" means the loans made by the Lenders pursuant to Section 2.01.

"Loan Documents" means this Agreement, the Short Term Notes, the Exchange Loan Notes and the Guaranties.

"Loan Parties" means the Company, the Borrower, Parent and each Guarantor.

"Material Adverse Effect" means any change or changes, or prospective change or changes, or effect or effects, or prospective effect or effects, that have occurred or are threatened, and that could be reasonably likely, or any other set of circumstances or events that could be reasonably likely, to be materially adverse to (a) the business, operations, properties, prospects or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole or the Company and its Subsidiaries taken as a whole, or (b) the ability of the Loan Parties and their respective Subsidiaries taken as a whole to perform its obligations under, or the legality, validity, binding nature or enforceability against such Loan Party of, any Loan Document, Exchange Document or Material Contract to which it is a party or pursuant to which it has any obligation.

"Material Contracts" means the Seller Note, the Stock Purchase Agreement and the Bank Credit Agreement and the documents delivered in connection therewith, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms, to the extent permitted hereunder.

"Material Subsidiary" means C S Ross Company, an Ohio corporation, CSIC Venture, Inc., a Delaware corporation, K.B. Consolidated, Inc., an Ohio corporation, the Company and any Subsidiary of the Borrower having at least 10% of the total Consolidated assets of the Parent and its Subsidiaries (determined as of the last day of the most recent fiscal quarter of the Parent) or at least 10% of the total Consolidated revenues of the Parent and its Subsidiaries for the 12-month period ending on the last day of the most recent fiscal quarter of the Parent, provided, however, that CWKSB, Inc. and Kay-Bee Toy and Hobby, Inc. shall not be considered Material Subsidiaries.

"Maturity Date" means, with respect to any Short Term Note, May 3, 1997, and, with respect to any Exchange Loan Note, May 3, 1999.

"MLPF&S" means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which any Loan Party or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of any Loan Party or any ERISA Affiliate and at least one Person other than the Loan Parties and the ERISA Affiliates or (b) was so maintained and in respect of which any Loan Party or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Income" means, with respect to any Person for any fiscal period, the net income (or net loss) of such Person for such period as determined on a Consolidated basis and in accordance with GAAP, adjusted, to the extent included in calculating such net income (or net loss), by excluding (a) all extraordinary gains or losses (less all fees and expenses relating thereto), (b) the portion of net income (or net loss) of such Person allocable to minority interests in unconsolidated entities to the extent that cash dividends or distributions have not actually been received by such Person, (c) net income (or net loss) of any entity combined with such Person in a "pooling of interests" basis attributable to any period prior to the date of combination, (d) any gain or loss, net of taxes, realized upon the termination of any employee pension benefit plan, (e) any gains or losses (less all fees and expenses relating thereto) in respect of dispositions of assets other than in the ordinary course of business, and (f) the net income of any Subsidiary of such Person to the extent that the declaration of dividends or similar distributions by that Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary or its shareholders.

"Net Proceeds" means, with respect to any sale, lease, transfer or other disposition of assets (including, without limitation, the sale of any debt or equity securities) by any Person, the cash proceeds (including, without limitation, all cash proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received) received by such Person or any Subsidiary thereof, minus the sum of (a) commercially reasonable and customary brokerage commissions, finder's fees and similar commissions and fees, and other commercially reasonable and customary fees and expenses, in each case that are paid to Persons that are not Affiliates of such Person or its Subsidiaries (including commercially reasonable and customary fees and expenses of counsel and investment bankers), related to such sale or other disposition and (b) the amount of all taxes payable as a direct result of such sale, lease, transfer or other disposition of assets and solely in connection therewith.

"Note" means a Short Term Note or an Exchange Loan Note.

"Notice of Loan" has the meaning specified in Section 2.02(a).

"Obligation" means, with respect to any Person, any obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 6.01(e). Without limiting the generality of the foregoing, the Obligations of the Loan Parties under the Loan Documents include the obligation to pay principal, interest, charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by any Loan Party under any Loan Document.

"Offering" has the meaning specified in the Parent Guaranty.

"Official Body" means any national, federal, state, local or other government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"Open Year" has the meaning specified in Section 4.01(u).

"Other Taxes" has the meaning specified in Section 2.10(b).

"Parent" means Consolidated Stores Corporation, a Delaware corporation.

"Parent Guaranty" has the meaning set forth in Section 3.01(a)(viii).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Permitted Debt" means (a) Debt of the Borrower and its Subsidiaries under the agreements and instruments listed on Schedule 5.02(a) (including any extensions or renewals thereof, provided there is no increase in the amount thereof on imposition of additional material obligations unless otherwise specified in Schedule 5.02(a)) up to a maximum amount equal to the maximum amount of principal permitted to be borrowed under the terms of such agreements and instruments from the other parties thereto as in effect on the date hereof; (b) the indorsement of negotiable instruments for deposit or collection or similar transaction in the ordinary course of business; (c) Debt of any Loan Party owing to any other Loan Party (provided that this clause (c) shall not apply to Debt of the Borrower); (d) Debt of the Borrower under the Bank Credit Agreement in an aggregate principal amount not to exceed \$700,000,000 at any time outstanding together with all interest, fees and premiums owing pursuant thereto and Debt of the Loan Parties under the Guaranty referred to therein; (e) Debt of the Borrower in respect of the Seller Note in an aggregate principal amount not to exceed \$100,000,000 at any time outstanding; (f) Capitalized and operating leases to the extent not prohibited by Section 5.02(q); (g) in the case of Capitalized Leases to which any Subsidiary of the Borrower is a party, Debt of the Borrower of the type described in clause (e) of the definition of "Debt" guaranteeing the Obligations of such Subsidiary under such Capitalized Leases; (h) Debt in connection with interest rate agreements referred to in Section 7.1.11 of the Bank Credit Agreement as in effect on the date hereof and (i) in the case of the Borrower and its Subsidiaries, any additional Debt not to exceed \$25,000,000 in the aggregate at any time outstanding.

"Permitted Investments" means (a) direct obligations of the United States of America or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America maturing in 12 months or less from the date of acquisition; (b) commercial paper maturing in 180 days or less rated not lower than A-1 by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., or P-1 by Moody's Investors Service, Inc., on the date of acquisition thereof; and (c) demand deposits, time deposits or certificates of deposit maturing within one year in commercial banks whose obligations are rated A-1, A or the equivalent or better by Standard & Poor's Corporation on the date of acquisition.

"Permitted Liens" means (a) Liens for taxes, assessments, or similar charges, incurred in the ordinary course of business and which are not yet due and payable; (b) pledges or deposits made in the ordinary course of business to secure payment of workmen's compensation, or to participate in any fund in connection with workmen's compensation, unemployment insurance, old-age pensions or other social security programs; (c) Liens of mechanics, materialmen, warehousemen, carriers, or other like Liens, securing obligations incurred in the ordinary course of business that are not yet due and payable or in default; (d) good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance

or other similar bonds required in the ordinary course of business; (e) encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use; (f) Liens and security interests in favor of the administrative agent under the Bank Credit Agreement for the benefit of the Banks parties thereto; (g) Liens on property leased by any Loan Party or Subsidiary of a Loan party or other interest or title of the lessor under capital and operating leases not otherwise prohibited by Section 7.2.15 of the Bank Credit Agreement of such Loan Party or Subsidiary to the lessor under such leases; (h) any Lien existing on the date of this Agreement and described on 5.02(b), provided that the principal amount secured thereby is not hereafter increased (although it may be refinanced), and no additional assets become subject to such Lien; (i) Purchase Money Security Interests to the extent that (X) such Purchase Money Security Interests attach to inventory purchased in the ordinary course of business pursuant to customary payment terms and are not perfected by the filing of financing statements or other public filings or (Y) the aggregate amount of loans and deferred payments secured by Purchase Money Security Interests not described in the foregoing clause (X) do not exceed at any one time outstanding \$10,000,000 (excluding for the purpose of this computation any loans or deferred payments secured by Liens described on 5.02(b)). (j) Liens relating to the licensing by Borrower, the other Loan Parties or their Subsidiaries of intellectual property; (k) Liens relating to a sublease entered into by a Loan Party or its Subsidiary; and (l) the following, (A) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as Levy and execution thereon have been stayed and continue to be stayed or (B) if a final judgment is entered and such judgment is discharged within thirty days of entry or (C) payments covered in full (subject to customary deductibles) by an insurance company of reputable standing if such insurance company has acknowledged that the applicable policy applies to the following and is not reserving any right to contest applicability, and in any case they do not in the aggregate, materially impair the ability of any Loan Party to perform its Obligations hereunder or under the other Loan Documents: (i) claims or Liens for taxes, assessments or charges by the United States, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, including the PBGC, due and payable and subject to interest or penalty, provided that the applicable Loan Party maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any such Lien; (ii) claims, Liens or encumbrances upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits; and (iii) claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens; and (m) additional Liens securing Indebtedness not to exceed \$10,000,000.

"Person" means an individual, corporation, partnership, business trust, joint venture, association, joint stock company, trust, unincorporated organization, joint venture,

limited liability company or other entity, or a government or any agency or political subdivision thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Property" means all real property, both owned and leased, of any Loan Party or any Subsidiary of any Loan Party.

"Pro Rata Share" of any amount means, with respect to any Lender at any time, the product of such amount times a fraction the numerator of which is the amount of such Lender's Commitment at such time and the denominator of which is the aggregate amount of the Lenders' Commitments at such time.

"Purchase Money Security Interest" shall mean Liens upon real or personal property securing loans to any Loan party or Subsidiary of a Loan Party or deferred payments by such Loan Party or Subsidiary for the purchase of such property.

"Refinancing" means the Offering or a Refinancing, each as defined in the Parent Guaranty.

"Register" has the meaning specified in Section 9.08(c).

"Registration Rights Agreement" means the Registration Rights Agreement, to be executed and delivered by the Borrower in connection with the Exchange, in form and substance satisfactory to the Required Lenders and the Borrower.

"Required Lenders" means at any time Lenders owed at least 51% of the then aggregate unpaid principal amount of the Loan, or, if no such principal amount is then outstanding, Lenders having at least 51% of the Commitments.

"Securities Act" means the Securities Act of 1933, as amended.

"Seller Note" means the subordinated term note or notes of the Borrower payable to the order of Melville Corporation and transferees in the principal amount of \$100,000,000 issued pursuant to the Indenture dated May 5, 1996 among the Borrower and The Bank of New York, as Trustee, as amended, supplemented or otherwise modified from time to time in accordance with its terms, to the extent permitted under the Loan Documents.

"Senior Indebtedness" means (i) all Obligations of the Borrower now or hereafter existing under the Bank Credit Agreement and the other Loan Documents referred to therein (whether created directly or acquired by assignment or otherwise) consisting of principal, interest (including, without limitation, interest accruing after the filing of a petition initiating any proceeding referred to in Section 8.02(a), whether or not such interest accrues after the filing of such petition for purposes of the Federal Bankruptcy Code or

is an allowed claim in such proceeding) or fees and (ii) the obligations of the Borrower in a principal amount not to exceed \$35,000,000 plus accrued interest and make-whole fees and expenses under the Note Purchase Agreement dated as of August 1, 1987 among the Borrower, the Parent and the Purchasers named therein.

"Short Term Note" means a promissory note of the Borrower payable to the order of any Lender, in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from such Lender's Pro Rata Share of the Loan.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of any Loan Party or any ERISA Affiliate and no Person other than the Loan Parties and the ERISA Affiliates or (b) was so maintained and in respect of which any Loan Party or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Stock Purchase Agreement" means the Stock Purchase Agreement dated as of March 25, 1996, between the Parent and Melville Corporation, pursuant to which the Borrower has agreed to acquire all of the capital stock of the Company.

"Subordinated Debt" means all Obligations of the Borrower now or hereafter existing under the Loan Documents (whether created directly or acquired by assignment or otherwise) consisting of principal, interest (including, without limitation, interest accruing after the filing of a petition initiating any proceeding referred to in Section 8.02(a), whether or not such interest accrues after the filing of such petition for purposes of the Federal Bankruptcy Code or is an allowed claim in such proceeding) or fees, including, without limitation, the fees referred to in Section 2.02(b) or 2.07(c).

"Subsidiary" of any Person at any time shall mean (i) any corporation, joint venture, limited liability company, trust, estate or other entity of which 50% or more (by number of shares or number of votes) of the outstanding Voting Stock is at such time owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, or any partnership of which such Person is a general partner or of which 50% or more of the partnership interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries, or (ii) any corporation, trust, partnership or other entity which is controlled or capable of being controlled by such Person and/or one or more of such Person's Subsidiaries.

"Subsidiary Guarantors" means the Subsidiaries of the Borrower listed on Schedule 4.01(j) hereto and each other Subsidiary of the Borrower that shall be required to execute and deliver a guaranty pursuant to Section 5.01(l).

"Subsidiary Guaranty" has the meaning specified in Section 3.01(a)(ix).

"Taxes" has the meaning specified in Section 2.10(a).

"Termination Date" means the earlier of August 2, 1996 and the date of termination in whole of the Commitments pursuant to Section 2.06 or 6.01.

"Total Liabilities" of any Person means all obligations which in accordance with GAAP would be included in determining total liabilities as shown on the liabilities side of a balance sheet of such Person, including, without limitation, all Debt of such Person.

"United States" and "U.S." each means United States of America.

"Voting Stock" means capital stock issued by, or equivalent interests in, any Person, the holders of which are ordinarily, in the absence of any contingency, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

"Withdrawal Liability" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

Section 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

Section 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) ("GAAP").

ARTICLE II

AMOUNT AND TERMS OF THE LOAN

Section 2.01. The Loan. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make to the Borrower on any Business Day on or before the Termination Date, a single loan, in an amount not to exceed at any time outstanding the amount set forth opposite such Lender's name on the signature pages hereof or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Agent pursuant to Section 9.08(c), as such amount may be reduced pursuant to Section 2.06 (such Lender's "Commitment"). Amounts borrowed under this Section 2.01 and repaid or prepaid may not be reborrowed.

Section 2.02. Making the Loan. (a) The Loan shall be made upon notice from the Borrower to the Agent (which shall give prompt notice thereof to the Lenders), which notice shall be received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Loan. Such notice (the "Notice of Loan") shall be irrevocable and binding on the Borrower, and shall be given in writing, in substantially the form of Exhibit B hereto, specifying therein the requested date and amount of the Loan. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower by crediting an account at National City Bank, Account No. 801871009, for the account of the Borrower in the amount of the Loan, net of any fees, expenses or other amounts owing to the Lenders or any of their respective Affiliates by the Borrower on the date of the Loan.

(b) The Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Loan the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits net of profits, if any, earned), cost or expense incurred by reason of the liquidation or reemployment of deposit or other funds acquired by such Lender to fund the Loan. A certificate as to such amounts, submitted to the Borrower promptly after the incurrance of any such loss, cost

or expense by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(c) Unless the Agent shall have received notice from a Lender prior to the date of the Loan that such Lender will not make available to the Agent such Lender's ratable portion of the Loan, the Agent may assume that such Lender has made such portion available to the Agent on the date of the Loan in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, (i) such Lender and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (A) in the case of the Borrower, the interest rate applicable at the time to Advances comprising such Borrowing and (B) in the case of such Lender, the Federal Funds Rate and (ii) neither the Borrower nor the Agent on behalf of the Borrower will be required to pay to such Lender its ratable portion of the funding fee referred to in Section 2.03(a). If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's portion of the Loan for purposes of this Agreement. If the Borrower shall repay to the Agent such corresponding amount, the Agent shall refund to the Borrower the portion of the funding fee referred to in Section 2.03(a) paid by the Borrower to the Agent in respect of such corresponding amount.

(d) The failure of any Lender to make its portion of the Loan to be made by it shall not relieve any other Lender of its obligation, if any, hereunder to make its portion of the Loan on the date of the Loan, but no Lender shall be responsible for the failure of any other Lender to make the portion of the Loan to be made by such other Lender on the date of the Loan.

Section 2.03. Fees. (a) Funding Fee. The Borrower shall pay to the Agent for the ratable account of the Lenders that have made a Loan a funding fee in an amount equal to 1.5% of the Loan to be paid in cash on the date of the Loan out of the proceeds thereof, subject to the terms of Section 2.02(c).

(b) Exchange Fee. The Borrower shall pay to the Agent for the ratable account of the Lenders an exchange fee in an amount equal to 1.00% of the Loan outstanding immediately prior to, and as a condition precedent to, the consummation of the Exchange.

(c) Agent's Fees. The Borrower shall pay to the Agent for its own account such fees as may from time to time be agreed between the Borrower and the Agent.

Section 2.04. Repayment. (a) The Borrower shall repay to the Agent for the ratable account of the Lenders the aggregate outstanding principal amount of the Loan on the Maturity Date, together with all other amounts in respect of the Loan then owing to the Lenders (whether for accrued and unpaid interest, fees or other amounts).

(b) (i) If, on the Exchange Date, the Refinancing shall not have occurred as contemplated by Section 8 of the Parent Guaranty, then, subject to the terms contained herein and the satisfaction of the conditions set forth below, each Short Term Note shall be exchanged (the "Exchange") for an Exchange Security or an Exchange Loan Note (as specified to the Agent by the Lender holding such Short Term Note), in either case in a principal amount equal to the principal amount of such Short Term Note outstanding on the Exchange Date. Any accrued and unpaid interest on the Short Term Notes shall be due and payable on the Exchange Date.

(ii) The consummation of the Exchange shall be subject to the following conditions precedent:

- (A) No Default or Event of Default shall have occurred and be continuing;
- (B) The Exchange would not violate the terms of any order, decree or judgment entered by a court of competent jurisdiction;
- (C) The Borrower shall have paid all accrued fees and expenses of the Agent and the Lenders (including the accrued fees and expenses of counsel); and
- (D) The Agent shall have received each of the documents required to be delivered pursuant to clause (iii) below.

(iii) On the Exchange Date, the Borrower shall deliver to the Agent the following documents, each dated the Exchange Date and duly executed or authenticated, as the case may be, by each Person party thereto:

- (A) The Exchange Securities (or, at the option of each Lender, the Exchange Loan Notes) for the account of each Lender;
- (B) The Exchange Indenture;
- (C) The Registration Rights Agreement; and
- (D) A favorable opinion of counsel to the Borrower, in form and substance satisfactory to the Agent, as to such matters as any Lender through the Agent may reasonably request.

(iv) Upon the consummation of the Exchange, (A) Article V and Article VI shall be amended in full on terms mutually acceptable to the Borrower and the Required Lenders.

Section 2.05. Interest. (a) Interest. The Borrower shall pay to the Lenders interest on the unpaid principal amount of the Loan as set forth in the Notes.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay on demand (i) interest on the unpaid principal amount of the Loan at the rate per annum set forth in the Notes therefor plus 200 basis points and (ii) interest on the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, at a rate per annum equal to the non-default rate of interest required to be paid on the unpaid principal amount of the Loan during such period plus 200 basis points.

Section 2.06. Termination or Reduction of the Commitments. (a) Optional. The Borrower shall have the right, upon at least one Business Day's notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that each partial reduction shall be in the aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof.

(b) Mandatory. (i) On the date of the Loan, after giving effect to the Loan, and from time to time thereafter upon each repayment or prepayment of any portion of the Loan, the aggregate Commitments of the Lenders shall be automatically and permanently reduced, on a pro rata basis, by an amount equal to the amount by which the aggregate Commitments immediately prior to such reduction exceed the aggregate unpaid principal amount of the Loan then outstanding.

(ii) Upon the consummation of the Refinancing, the aggregate Commitments of the Lenders shall be automatically and permanently terminated.

Section 2.07. Prepayments. (a) Voluntary. The Borrower may, subject to payment of the amounts provided for in Section 2.03, if applicable, and Section 2.07(c), by prior notice to the Agent given by 12:00 Noon (Cleveland time) on the day preceding a prepayment stating the proposed date of prepayment and the amount of such prepayment, and if such notice is given the Borrower shall, prepay the outstanding unpaid principal amount of the Loan in whole or in part, together with accrued interest thereon to the date of such prepayment on the principal amount prepaid; provided that each partial prepayment shall be in an aggregate principal amount not less than \$5,000,000 and \$1,000,000 multiples in excess thereof.

(b) Mandatory. (i) Within five Business Days after receipt of Net Proceeds from any sale of any assets other than as set forth in clauses (i) or (ii) of Section 5.02(k), the Borrower shall prepay the Loan in an amount equal to the lesser of (A) the then

outstanding principal amount of the Loan and (B) the amount of such Net Proceeds from such sale to the extent required pursuant to Section 5.02(k)(iv) (as estimated in good faith by the Borrower) (less any amount required by the terms of the Bank Credit Agreement to be applied to prepay Debt outstanding thereunder), in either case together with accrued interest to the date of such prepayment on the principal amount prepaid and all fees, expenses and other payments due to the Lenders under the Loan Documents.

(ii) Upon receipt by Parent, the Borrower or any of its Subsidiaries of the Net Proceeds from (A) the incurrence or issuance by the Borrower or any of its Subsidiaries of any Debt (other than the Seller Note and Permitted Debt or (B) the sale or issuance by Parent, the Borrower or any of its Subsidiaries of any capital stock, any securities convertible into or exchangeable for capital stock or any warrants, rights or options to acquire capital stock, debt or equity securities, the Borrower shall prepay the Loan in an amount equal to the lesser of (x) the then outstanding principal amount of the Loan and (y) the amount of such Net Proceeds from such incurrence, issuance or sale (less any amount required by the terms of the Bank Credit Agreement to be applied to prepay Debt outstanding thereunder), in either case, together with accrued interest to the date of such prepayment on the principal amount prepaid and all fees, expenses and other payments due to the Lenders under the Loan Documents.

(c) Breakage Fees. Upon any prepayment of principal of the Loan under Section 2.06(a) or 2.06(b) or acceleration of maturity of the Notes pursuant to Section 6.01 or for any other reason, the Borrower shall pay upon demand by any Lender the amount required to compensate such Lender for any losses, costs or expenses which it may reasonably incur as a result of such payment or acceleration including, without limitation, any loss (including loss of anticipated profits net of profits, if any, earned), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain the Loan.

Section 2.08. Payments and Computations. (a) The Borrower shall make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due, in United States Dollars to the Agent at the Agent's Account in immediately available funds. Such payments shall be made by wire transfer to the account of MLCC at Chemical Bank, New York, New York, ABA #021-000-128 (Account #1400-21153) or such other account as MLCC may designate to the Borrower by notice. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.02(b), 2.07(c), 2.10 or 2.11) to the Lenders for the account of their respective Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.08(d), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments

hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) All computations of interest and fees shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Agent of an interest rate or fee hereunder and under the Notes shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in each case be included in the computation of payment of interest or any fee, as the case may be; provided, however, that if such extension would cause the payment of interest on or principal of the Loan to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) To the fullest extent permitted by law, the Borrower shall make all payments hereunder and under the Notes regardless of any defense or counterclaim, including, without limitation, any defense or counterclaim based on any law, rule or policy which is now or hereafter promulgated by any governmental authority or regulatory body and which may adversely affect the Borrower's obligation to make, or the right of the holder of any Note to receive, such payments.

Section 2.09. Use of Proceeds. The Borrower shall use the proceeds of the Loan solely to pay for (i) the repayment of borrowings under the Bank Credit Agreement, (ii) the consummation of the Acquisition, (iii) the payment of transaction costs incurred in connection therewith, (iv) the refinancing of certain Debt of the Borrower then outstanding and (v) the payment of fees and expenses payable under the Loan Documents.

Section 2.10. Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.08, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction of such Lender's Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in

respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.10) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower shall indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any taxes imposed by any jurisdiction on amounts payable under this Section 2.10) imposed on or paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as requested in writing by the Borrower (but only so long as such Lender remains lawfully able to do so), shall provide each of the Agent and the Borrower with two original Internal Revenue Service forms 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is

exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. If the forms provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form 1001 or 4224, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the Borrower and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed to provide the Borrower with the appropriate form described in Section 2.10(e) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under the first sentence of subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.10(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

Section 2.11. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining its Pro Rata Share of the Loan (excluding for purposes of this Section 2.11 any such increased costs resulting from (A) Taxes or Other Taxes (as to which Section 2.10 shall govern) and (B) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or has its Lending Office or any political subdivision thereof), then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of

such increased cost, submitted to the Borrower and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Borrower and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

Section 2.12. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Note held by it (other than pursuant to Section 2.02(b), 2.07(c), 2.10 or 2.11) in excess of its ratable share of payments on account of the Notes obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Notes held by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.12 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

Section 3.01. Conditions Precedent to Effectiveness of Section 2.01. Section 2.01 of this Agreement shall become effective on and as of May 5, 1996 (the "Closing Date") provided that the following conditions precedent have been satisfied:

- (a) Documents Delivered. The Agent shall have received on or before the Closing Date the following documents, each dated such day, in form and substance satisfactory to the Agent and (except for the Notes) in sufficient copies for each Lender:
 - (i) The Short Term Notes to the order of the Lenders, respectively.
 - (ii) Certified copies of the resolutions of the Board of Directors (A) of the Borrower, Parent and each Material Subsidiary approving each Loan Document and each Material Contract to which it is or is to be a party and the transactions contemplated hereby and thereby, including, without limitation, the Acquisition and of all documents evidencing other necessary corporate action with respect to each such Loan Document, and Material Contract and each such other document and the transactions contemplated hereby and thereby and (B) of Parent approving the consummation of the Offering and the other actions specified in the Parent Guaranty in connection with the Offering.
 - (iii) Certified copies of all documents and instruments, including all material authorizations, consents and approvals of, evidence of all other actions by, and notices and filings with, all governmental authorities and regulatory bodies or other Persons to whom the Borrower, Parent or any Subsidiary has contractual obligations as shall be required for the consummation of the transactions contemplated by the Loan Documents, including, without limitation, the Acquisition.
 - (iv) A certificate of the Borrower, Parent and each Material Subsidiary, signed on behalf of the Borrower, Parent or such Material Subsidiary, as the case may be, by its president or a vice president and the secretary or assistant secretary (the statements made in which certificate shall be true on and as of the Closing Date), certifying as to: (A) true and complete copies of the charter and by-laws of the Borrower, Parent or such Material Subsidiary, as the case may be, as in effect on the date the resolutions specified in clauses (ii) and (iii) were adopted and the absence of any amendments to the charter or by-laws since such dates; (B) the due incorporation and good standing of each Loan Party and each of its Subsidiaries in its state of incorporation and the absence of any proceeding for the dissolution or

liquidation Loan Party or any of its Subsidiaries; (C) the truth of the representations and warranties made by each Loan Party in the Loan Documents before and after giving effect to the Acquisition, as though made on and as of the Closing Date; (D) the absence of any event occurring and continuing that constitutes a Default or an Event of Default; (E) to the best knowledge of the Borrower, Parent or such Material Subsidiary, as the case may be, the absence of any existing or threatened event which could reasonably be anticipated to impair the ability of Parent to consummate the Offering; and (F) the satisfaction of all conditions precedent by each Loan Party, as applicable, to the effectiveness of Section 2.01.

- (v) A signed copy of a certificate of the Secretary or an Assistant Secretary or other appropriate officer of the Borrower, Parent and each Material Subsidiary, as the case may be certifying the names and true signatures of the officers of each Loan Party authorized to sign each Loan Document, each Exchange Document and each Material Contract to which it is or is to be a party, and the other documents to be delivered hereunder and thereunder.
- (vi) (A) Certificates from the chief financial officer of the Borrower, Parent and each Material Subsidiary, as the case may be, with respect to the balance sheet of the Borrower, Parent or such Material Subsidiary, as the case may be, as of March 30, 1996, and in the case of the Company, dated as of March 31, 1996, and (B) a certificate of the chief financial officer of the Borrower with respect to pro forma financial statements of the Parent and its Subsidiaries on a basis satisfactory to the Agent giving effect to the Acquisition and the other transactions contemplated by the Loan Documents.
- (vii) Certified copies of the financial statements referred to in Section 4.01(e).
- (viii) A guaranty in substantially the form of Exhibit D-1 hereto (as amended, supplemented or otherwise modified from time to time in accordance with its terms, the "Parent Guaranty"), duly executed by the Parent.
- (ix) A guaranty in substantially the form of Exhibit D-2 hereto (together with each other guaranty delivered or to be delivered pursuant to Section 5.01(l), in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms, the "Subsidiary Guaranty"), duly executed by the Subsidiary Guarantors.
- (x) Certified copies of the Material Contracts, in form and substance satisfactory to the Initial Lenders.
- (xi) (A) A favorable opinion of Albert J. Bell, internal counsel to the Loan Parties, substantially in the form of Exhibit E-1 hereto and (B) a favorable

opinion of Benesch, Friedlander, Coplan & Aronoff, counsel to the Loan Parties, substantially in the form of Exhibit E-2 hereto.

- (xii) A favorable opinion of Shearman & Sterling, special New York counsel to the Agent, in form and substance satisfactory to the Agent.
- (xiii) Such other approvals, opinions or documents as MLCC may reasonably request.
- (b) No Material Adverse Effect. No Material Adverse Effect shall have occurred, or be threatened, since February 3, 1996.
- (c) Material Conditions. No material adverse change shall have occurred in loan syndication, financial or capital market conditions generally from those in effect on March 25, 1996 which could reasonably be expected to adversely affect the consummation of the transactions contemplated by this Agreement (including without limitation the Offering referred to in the Parent Guaranty).
- (d) No Offerings. Since February 3, 1996, none of Parent, the Borrower or any of their respective Subsidiaries shall have offered, placed or sold or have caused to be offered, placed or sold directly or indirectly by private or public offering or offerings any securities or other obligations that would, in the reasonable sole judgment of the Agent, impair the ability of MLPF&S to sell debt or equity securities as contemplated by Section 8 of the Parent Guaranty, other than the securities referred to in the registration statement filed on Form S-3 with the Securities Exchange Commission on April 16, 1996.
- (e) Due Diligence. The Initial Lenders shall have completed a due diligence investigation of each Loan Party and its Subsidiaries in scope, and with results, satisfactory to the Initial Lenders and shall have been given such access to the management, records, books of account, contracts and properties of each Loan Party and its Subsidiaries and shall have received such financial, business and other information regarding each Loan Party and its Subsidiaries as it shall have reasonably requested.
- (f) No Litigation or Other Proceedings. There shall exist no action, suit, investigation, litigation or proceeding affecting any Loan Party or any of its Subsidiaries instituted, pending or threatened before any court, governmental, administrative or regulatory agency or authority or arbitrator, domestic or foreign, (i) challenging the consummation of the Acquisition or the other transactions contemplated by the Loan Documents or (ii) seeking to obtain, or having resulted in the entry of, any judgment, order or injunction that (A) would restrain, prohibit or impose adverse conditions on the ability of the Lenders to make the Loan, (B) could be reasonably expected to have a Material Adverse Effect, (C) would impair the ability of MLPF&S to sell debt or equity securities as contemplated by Section 8 of the

Parent Guaranty or (D) would reasonably be expected to affect the legality, validity or enforceability of this Agreement, any other Loan Document, any Exchange Document or the consummation of the transactions contemplated hereby, including, without limitation, the Acquisition and the Offering and, in each case there is a reasonable probability that such action, suit, investigation, litigation or proceeding would be successful on the merits.

- (g) Fees and Expenses. All accrued fees and expenses (including the fees and expenses of counsel to the Agent) shall have been paid.
- (h) Additional Matters. All corporate or other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by the Loan Documents or which, in the discretion of the Agent, affect the Loan or the transactions contemplated by the Loan Documents shall be in form and substance satisfactory to the Agent and its counsel.
- (i) Ownership of Capital Stock. The Borrower shall own 100% of the capital stock of each of its Subsidiaries (including, without limitation, directly or indirectly 100% of the capital stock of the Company), and the legal and capital structure of the Borrower and each of its subsidiaries (including, without limitation, the Company) shall be satisfactory to the Agent.
- (j) No Default. No event shall have occurred and be continuing or would result from the Loan, or from the application of the proceeds therefrom, that shall constitute a Default or an Event of Default.
- (k) Governmental and Third Party Consents and Approvals. All governmental and third party consents and approvals necessary in connection with the Acquisition and the Loan shall have been obtained (without the imposition of any conditions that are not acceptable to the Agent) and shall remain in effect; all applicable waiting periods shall have expired without any action being taken by any competent authority; and no law or regulation shall be applicable in the judgment of the Agent that restrains, prevents or imposes materially adverse conditions upon the Acquisition or the other transactions contemplated by the Loan Documents or the Loan or the Loan Documents.
- (l) Stock Purchase Agreement. The Stock Purchase Agreement shall be in the form previously delivered to the Initial Lenders and shall be in full force and effect and the Acquisition shall have been consummated at or below the price and otherwise substantially as set forth in the Stock Purchase Agreement.

Section 3.02. Conditions Precedent to the Loan. The obligation of each Lender to make its portion of the Loan shall be subject to the conditions precedent that the Closing Date shall have occurred and on the date of the Loan (a) the following statements shall be true (and each of the giving of the Notice of Loan and the acceptance by the

Borrower of the proceeds of the Loan shall constitute a representation and warranty by the Borrower that on the date of the Loan such statements are true) before and after giving effect to the Loan and to the application of the proceeds therefrom, as though made on and as of such date:

- (i) No Litigation or Other Proceedings. There shall exist no action, suit, investigation, litigation or proceeding affecting any Loan Party or any of its Subsidiaries instituted, pending or threatened before any court, governmental, administrative or regulatory agency or authority or arbitrator, domestic or foreign, seeking to obtain, or having resulted in the entry of, any judgment, order or injunction that would reasonably be expected to affect the legality, validity or enforceability of this Agreement, any other Loan Document or any Exchange Document;
- (ii) Ownership of Capital Stock. The Borrower shall own 100% of the capital stock of each of its Subsidiaries (including, without limitation, directly or indirectly, 100% of the capital stock of each of the Company), and, except to the extent permitted hereunder or under the Bank Credit Agreement as in effect on the date hereof, the legal and capital structure of the Borrower and each of its Subsidiaries (including, without limitation, the Company) shall not have changed in any material respect from that existing on the Closing Date;
- (iii) Fees and Expenses. All accrued fees and expenses (including the fees and expenses of counsel to the Agent) shall have been paid; and
- (iv) no event has occurred and is continuing, or would result from the Loan or from the application of the proceeds therefrom, that constitutes a Default or an Event of Default (other than any Default or Event of Default under (A) Section 6.01(c) with respect to Section 5.01(c) (unless the breach thereof would be reasonably likely to result in a Material Adverse Effect) or (g) or Section 5.02(h), (B) Section 6.01(i), (j) or (k), or (C) Section 6.01(d) or (f) to the extent that any such Default or Event of Default thereunder shall be in respect of an amount, individually or in the aggregate, of less than \$15,000,000).

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request in order to confirm satisfaction of the conditions set forth in this Section 3.02.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.01. Representations and Warranties. The Borrower hereby represents and warrants as follows:

- (a) Due Incorporation, Etc. Each Loan Party and each of its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted. Each Loan Party and each of its Subsidiaries listed on Schedule 4.01(j) is duly qualified or licensed to do business as a foreign corporation in good standing in all jurisdictions in which it owns or leases property or proposes to own or lease property or in which the conduct of its business requires it to so qualify or be licensed, except for such jurisdictions where the failure to so qualify or be licensed would not have a Material Adverse Effect. All of the outstanding capital stock of the Borrower has been validly issued, is fully paid and non-assessable and is owned by Parent.
- (b) Corporate Power, Etc. Each Loan Party has full corporate power and authority to enter into, deliver and perform its obligations under each Loan Document and each Material Contract to which it is or will be a party and to consummate each of the transactions contemplated by each such Loan Document and Material Contract and has taken all necessary corporate action to authorize the execution, delivery and performance by it of each Loan Document and each Material Contract to which it is or will be a party, and, in the case of the Parent, to authorize the Acquisition; and each Loan Document to which it is a party constitutes, and each Material Contract to which it is or will be party when delivered hereunder will constitute, the legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect affecting the enforcement of creditors' rights generally.
- (c) No Conflict. Neither the execution and delivery of any Loan Document or any Material Contract to which any Loan Party is or is to be a party nor the performance by such Loan Party of its obligations thereunder, nor the consummation of the transactions contemplated thereby including, without limitation, the Acquisition will, (i) conflict with the charter or by-laws of such Loan Party or (ii) conflict with or result in a breach of, or constitute a default under, or result in the creation or imposition of any Lien upon any of the property or assets of any Loan Party or any Subsidiary of any Loan Party, as the case may be, under, (A) any applicable laws (including, without limitation, Regulation X issued by the Board of Governors of the Federal Reserve System), (B) any loan agreement, indenture or

similar instrument or agreement, or (C) any material mortgage, deed of trust or other similar debt instrument or agreement, in each case, to which such Loan Party or such Subsidiary, as the case may be, may be or become a party or by which it may be or become bound or to which any of the property or assets of such Loan Party or such Subsidiary, as the case may be, may be subject.

- (d) Approvals, Etc. No consent, approval, exemption, order or authorization of, or a registration or filing with, any Official Body or any other Person is required by any law, constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree or award of any Official Body or any agreement in connection with the execution, delivery and carrying out of this Agreement, the other Loan Documents or the Material Contracts by any Loan Party, except as listed on Schedule 4.01(d), all of which shall have been obtained or made on or prior to the Closing Date.
- (e) Financial Statements. The Consolidated balance sheets of Parent and its Subsidiaries as at February 3, 1996, and the related Consolidated statements of income and cash flows of Parent and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Deloitte & Touche, LLP, independent public accountants, copies of which have been furnished to the Lenders, fairly present the Consolidated financial condition of Parent and its Subsidiaries as at such date and the Consolidated results of the operations of Parent and its Subsidiaries for the period ended on such date. The Consolidated balance sheets of the Company and its Subsidiaries as at December 31, 1995, and the related Consolidated statements of income and cash flows of the Company and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of KPMG Peat Marwick, LLP, independent public accountants, copies of which have been furnished to the Lenders, fairly present the Consolidated financial condition of the Company and its Subsidiaries as at such date and the Consolidated results of the operations of the Company and its Subsidiaries for the period ended on such date. All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved, except as otherwise disclosed in such Financial Statements.
- (f) No Material Adverse Effect. Since February 3, 1996, there has been no, nor has there been threatened any, Material Adverse Effect (or any development involving a prospective Material Adverse Effect).
- (g) Litigation, Etc. There are no actions, suits, proceedings or investigations pending or, to the knowledge of any Loan Party, threatened against such Loan Party or any Subsidiary of any Loan Party at law or equity before any Official Body which individually or in the aggregate (A) would restrain, prohibit or impose adverse conditions on the ability of the Lenders to make the Loan, (B) could be reasonably expected to have a Material Adverse Effect, (C) would impair the ability

of MLPF&S to sell debt or equity securities as contemplated by Section 8 of the Parent Guaranty or (D) could purport to affect the legality, validity or enforceability of this Agreement, any other Loan Document or the consummation of the transactions contemplated hereby, including, without limitation, the Acquisition and the Offering, and, in each case there is a reasonable probability that such action, suit, investigation, litigation or proceeding would be successful on the merits.

- (h) No Violation, Etc. No event has occurred and is continuing and no condition exists now or will exist after the execution of the Loan Documents or Material Contracts which constitutes a Default. None of the Loan Parties or any Subsidiaries of any Loan Party is in violation of (i) any term of its certificate of incorporation, bylaws, or other organizational documents or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties may be subject or bound where such violation would reasonably be expected to have a Material Adverse Effect.
- (i) Debt. At the time of and immediately after giving effect to the Loan, there is no Debt of any Loan Party or any of the Subsidiaries other than Debt permitted under Section 5.02(a).
- (j) Subsidiaries. Set forth on Schedule 4.01(j) is (i) a complete and accurate list of all Subsidiaries of each Loan Party, except with respect to the Subsidiaries of the Company and (ii) with respect to the Company, a complete and accurate list, to the best knowledge of the Company, of all Subsidiaries of the Company, in each case, showing (as to each Subsidiary) (A) the jurisdiction of its incorporation, (B) the number of shares of each class of capital stock authorized, and the number outstanding, (C) the percentage of the outstanding shares of each such class owned (directly or indirectly) by such Loan Party and (D) the number of shares covered by all outstanding options, warrants, rights of conversion or purchase and similar rights. All of the outstanding capital stock of each Subsidiary of such Loan Party has been validly issued, is fully paid and non-assessable and is owned by such Loan Party or one or more of its Subsidiaries free and clear of all Liens.
- (k) Margin Stock. Neither any Loan Party nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock within the meaning of Regulations G, T and X issued by the Board of Governors of the Federal Reserve System; and no part of the proceeds of the Loan will be used to purchase or carry any margin stock or extend credit to others for the purpose of purchasing or carrying any margin stock.
- (l) Use of Proceeds. No proceeds of the Loan will be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

- (m) Investment Company Act. Neither any Loan Party nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" (as each of such terms is defined or used in the Investment Company Act of 1940, as amended).
- (n) Taxes. Each Loan Party has filed all tax returns required to be filed by it and its Subsidiaries and has paid all taxes, assessments, fees and other charges (including interest and penalties) due with respect to the years covered by such returns, except for any such failures to file or to pay such amounts which, in the aggregate, would not have a Material Adverse Effect.
- (o) ERISA Event. No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan that, individually or in the aggregate, has resulted in or is reasonably likely to result in a material liability of any Loan Party or any ERISA Affiliate.
- (p) Funded Current Liability Percentage. As of the last annual actuarial valuation date, the funded current liability percentage as defined in Section 302(d)(8) of ERISA, of each Plan exceeds 90%, and there has been no material adverse change in the funding status of any such Plan since such date.
- (q) Withdrawal Liability. Neither any Loan Party nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan.
- (r) Multiemployer Plans. Neither any Loan Party nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA.
- (s) Expected Post-Retirement Benefits. Excepts as set forth in the financial statements referred to in this Section 4.01 and in Section 5.01(g), the Loan Parties and their respective Subsidiaries have no material liability with respect to "expected post-retirement benefit donations" within the meaning of Statement of Financial Accounting Standards No. 106.
- (t) Taxable Years. Set forth on Schedule 4.01(t) hereto is a complete and accurate list, as of the date hereof, of each taxable year of each Loan Party (except the Company) and its Subsidiaries for which Federal income tax returns have been filed and for which the expiration of the applicable statute of limitations for assessment or collection has not occurred by reason of extension or otherwise (an "Open Year").

- (u) Federal Tax Adjustments. The aggregate unpaid amount, as of the date hereof, of adjustments to the Federal income tax liability of each Loan Party and its Subsidiaries proposed by the Internal Revenue Service with respect to Open Years does not exceed \$1,000,000. No issues have been raised by the Internal Revenue Service in respect of Open Years that, in the aggregate, could be reasonably likely to have a Material Adverse Effect.
- (v) Other Tax Adjustments. The aggregate unpaid amount, as of the date hereof, of adjustments to the state, local and foreign tax liability of each Loan Party (except the Company) and its Subsidiaries proposed by all state, local and foreign taxing authorities (other than amounts arising from adjustments to Federal income tax returns) does not exceed \$5,000,000. No issues have been raised by such taxing authorities that, in the aggregate, could be reasonably likely to have a Material Adverse Effect.
- (w) Representations. No representation or warranty made by any Loan Party under or in connection with any Loan Document or any other document furnished to the Lenders in connection with the transactions contemplated hereby, contains any misrepresentation of a material fact or omits to state any material fact necessary to make the statements herein or therein not misleading; and there is no fact known to the Borrower which has, or could have, a Material Adverse Effect, or which, to the best knowledge of the Borrower based on facts currently known to it, could in the future have a Material Adverse Effect.
- (x) Disclosure. All information which has been made available to the Lenders by any Loan Party or any of its representatives in connection with the transactions contemplated hereby, to the best of its knowledge, was, or has been subsequently supplemented (including by the Schedules attached hereto) so as to be, complete and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements were made and all financial projections that have been prepared by any Loan Party and made available to the Lenders have been prepared in good faith based upon reasonable assumptions. No fact is known to the Borrower which could reasonably be expected to have a Material Adverse Effect which has not been set forth in such information, reports, papers and data or otherwise disclosed in writing to the Initial Lenders prior to the making of the Loan.
- (y) Environmental Laws. The operations and properties of each Loan Party and each of its Subsidiaries comply in all material respects with all Environmental Laws, all necessary Environmental Permits have been obtained and are in effect for the operations and properties of each Loan Party and its Subsidiaries, except for such Environmental Permits where the failure to obtain the same, individually or in the aggregate, could not be reasonably expected to have a Material

Adverse Effect; each Loan Party and each of its Subsidiaries are in compliance with all such Environmental Permits except for any instances of non-compliance which, individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect, and no circumstances exist that would be reasonably likely to (i) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any of their respective properties that could have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that could have a Material Adverse Effect.

- (z) Hazardous Materials. Neither any Loan Party nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Materials to any location that is listed or proposed for listing on the National Priorities List under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, or on the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the Environmental Protection Agency or any analogous state list; Hazardous Materials have not been generated, used, treated, handled, stored or disposed of on, or released or transported to or from, any property currently or formerly owned or operated by any Loan Party or any of its Subsidiaries or, to the best of their knowledge, any adjoining property, except in any such case, any such actions that, individually or in the aggregate, could not be reasonably expected to have a Material Adverse Effect.
- (aa) Material Contracts. Each Material Contract has been duly authorized, executed and delivered by all parties thereto, has not been amended or otherwise modified, is in full force and effect and is binding upon and enforceable against all parties thereto in accordance with its terms, and there exists no default under any Material Contract by any party thereto.
- (bb) Subsidiaries Other than Material Subsidiaries. The breach of any of the foregoing representations and warranties with respect to a Subsidiary of the Borrower other than a Material Subsidiary shall not be deemed to breach such representation or warranty unless such breach has a Material Adverse Effect.

ARTICLE V

COVENANTS

Section 5.01. Affirmative Covenants. The Borrower covenants and agrees that, so long as any Lender shall have any Commitment hereunder or any amount is outstanding under any of the Loan Documents:

- (a) Corporate Existence. The Borrower shall preserve and maintain, and shall cause each Material Subsidiary to preserve and maintain, in full force and effect its corporate existence, rights (charter and statutory), franchises and privileges and qualify and remain qualified, as a corporation in good standing in each jurisdiction in which such qualification is from time to time necessary or desirable in view of its business and operations or the ownership of its properties, except for such jurisdictions where the failure to so qualify would not have a Material Adverse Effect; provided, however, that the Borrower may consummate any merger or consolidation permitted under Section 5.02(f).
- (b) Compliance with Laws. The Borrower shall comply, and shall cause each of its Subsidiaries to comply, in all material respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with Environmental Laws provided, however, that it shall not be deemed to be a violation of this Section 5.01(b) if any failure to comply with such law, rule, regulation or order would not result in fines, penalties, remediation costs, other similar liabilities or injunctive relief which in the aggregate would have a material Adverse Effect.
- (c) Maintenance of Property; Insurance. The Borrower shall preserve and maintain, and shall cause each of its Subsidiaries to preserve and maintain, all of its properties, owned or leased, that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted; and maintain insurance with financially sound and reputable insurers in such amounts and against such risks, as are usually and customarily insured by companies engaged in a similar business with respect to properties of a similar character.
- (d) Keeping of Books. The Borrower shall keep, and shall cause each of its Subsidiaries to keep, proper books of record and accounts, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and its Subsidiaries in accordance with generally accepted accounting principles in effect from time to time or as otherwise required by applicable rules and regulations of any governmental agency or regulatory authority having jurisdiction over the Borrower and its Subsidiaries

- (e) Access to Records. The Borrower shall provide, and shall cause each of its Subsidiaries to provide, the Agent and the Lenders and their respective authorized advisors and representatives reasonable access to all books, records, offices and other facilities and properties of the Borrower and its Subsidiaries upon reasonable notice, and allow the Agent or any Lender or its authorized advisors or representatives (as the case may be) to make such examinations thereof and copies of and abstracts from such books and records as the Agent or any Lender or its authorized advisors or representatives (as the case may be) may reasonably request; provided, however, that prior to the occurrence of a Default or Event of Default any such investigation shall be conducted only during regular business hours and in a manner that does not interfere unreasonably with the business or operations of the Borrower or its Subsidiaries.
- (f) Payment of Taxes, Etc. The Borrower shall pay and discharge, and shall cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might become a Lien upon its property; provided, however, that neither the Borrower nor such Subsidiary shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate cash reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.
- (g) Reporting Requirements. The Borrower shall:
 - (i) as soon as available and in any event within 45 days after the end of each quarter of each fiscal year of the Parent, furnish to the Agent and the Lenders, without cost to the Agent or the Lenders, (A) quarterly Consolidated balance sheets, statements of income and cash flows of the Parent and its Subsidiaries, and consolidating balance sheets, statements of income and cash flows of K.B. Consolidated, Inc., all in reasonable detail and duly certified (subject to normal year-end audit adjustments) by the chief financial officer of the Borrower as having been prepared in accordance with GAAP and (B) a Compliance Certificate dated as of the last day of such quarter, executed by the president and the chief financial officer of the Borrower;
 - (ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Parent, furnish to the Agent and the Lenders, without cost to the Agent or the Lenders, (A) a copy of the annual audit report for such fiscal year for the Parent and its Subsidiaries, including therein Consolidated balance sheets, statements of income and cash flows for such year certified by nationally recognized independent certified public

accountants satisfactory to the Agent and (B) a Compliance Certificate dated as of the last day of such year, executed by the president and the chief financial officer of the Borrower;

- (iii) furnish to the Agent and the Lenders, without cost to the Agent or the Lenders, copies of all documents and certificates delivered to any other lender or holder of Debt promptly after delivery thereof to such other lender or holder of Debt;
- (iv) furnish to the Agent and the Lenders, without cost to the Agent or the Lenders, copies of all reports which the Borrower or any of its Subsidiaries sends to any of its security holders, and copies of all reports and registration statements which the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange;
- (v) promptly upon receipt thereof, copies of all notices, requests and other documents received by the Borrower or any of its Subsidiaries under or pursuant to any Material Contract or indenture, loan or credit or similar agreement and, from time to time upon request by the Agent, such information and reports regarding the Material Contracts as the Agent may reasonably request;
- (vi) (A) promptly and in any event within 10 days after any Loan Party or any ERISA Affiliate knows or has reason to know that any ERISA Event has occurred, a statement of the chief financial officer of such Loan Party describing such ERISA Event and the action, if any, that such Loan Party or such ERISA Affiliate has taken and proposes to take with respect thereto and (B) on the date any records, documents or other information must be furnished to the PBGC with respect to any Plan pursuant to Section 4010 of ERISA, a copy of such records, documents and information;
- (vii) promptly and in any event within two Business Days after receipt thereof by any Loan Party or any ERISA Affiliate, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan;
- (viii) promptly and in any event within 30 days after the receipt thereof by any Loan Party or any ERISA Affiliate, a copy of the annual actuarial report for each Plan the funded current liability percentage (as defined in Section 302(d)(8) of ERISA) of which is less than 90%;
- (ix) promptly and in any event within five Business Days after receipt thereof by any Loan Party or any ERISA Affiliate from the sponsor of a Multiemployer Plan, copies of each notice concerning (A) the imposition of

Withdrawal Liability by any such Multiemployer Plan, (B) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (C) the amount of liability incurred, or that may be incurred, by any Loan Party or any ERISA Affiliate in connection with any event described in clause (A) or (B);

- (x) promptly after the assertion or occurrence thereof, notify the Agent and the Lenders of (A) any Environmental Action against or of any noncompliance by any Loan Party or any of its Subsidiaries with any Environmental Law or Environmental Permit, and (B) any release of any Hazardous Material into the environment, that could reasonably be expected to have a Material Adverse Effect;
 - (xi) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting any Loan Party or any of its Subsidiaries of the type described in Section 4.01(g); and
 - (xii) furnish to the Agent and the Lenders, without cost to the Agent or the Lenders, any other information with respect to the financial condition, business and property of the Borrower and its Subsidiaries, as any Lender through the Agent may from time to time reasonably request.
- (h) Notice of Defaults. The Borrower shall and shall cause each of its Subsidiaries to promptly upon any officer of any Loan Party obtaining knowledge thereof, give notice to the Agent and the Lenders (i) of any development, including, without limitation, any litigation, investigation or proceeding affecting any Loan Party or any of its Subsidiaries, which has a Material Adverse Effect, could reasonably be expected to have a Material Adverse Effect or, in the case of any litigation, investigation or other proceeding, which could, if adversely decided, reasonably be expected to have a Material Adverse Effect and (ii) of a Default or Event of Default under this Agreement, each such notice being in the form of an officers' certificate, signed by the president or any vice president and the treasurer of the Borrower, specifying the nature and period of existence of any such event and what action the Borrower has taken, is taking or proposes to take with respect thereto.
- (i) Refinancing. The Borrower will use its best efforts to assist Parent in effectuating an offering and sale of equity securities of Parent to Persons other than the Borrower or any of its Subsidiaries, reasonably acceptable in form and substance to MLPF&S, for the purpose of refinancing the principal amount of the Loan and paying interest accrued thereon and all fees, expenses, commissions and other amounts payable by the Loan Parties under the Loan Documents in an amount to be agreed upon between Parent and MLPF&S, but in no event less than an amount which will provide Net Proceeds sufficient to refinance the principal amount of the Loan and to pay accrued interest thereon and all fees, expenses,

commissions and other amounts payable by the Loan Parties under the Loan Documents.

- (j) MLPF&S as Underwriter. The Borrower shall retain MLPF&S as an underwriter or placement agent for the Borrower and any of its Subsidiaries with respect to any offering or placement of securities (other than securities consisting of traditional senior bank debt), including, without limitation, on any refinancing referred to in Section 8 of the Parent Guaranty, issued by the Borrower or any of its Subsidiaries to refinance all or part of the aggregate outstanding unpaid principal amount of the Loan, such retention to be on terms mutually acceptable to the Borrower and MLPF&S.
- (k) Performance of Material Contracts. The Borrower shall perform and observe, and shall cause each of its Subsidiaries to perform and observe all the terms and provisions of each Material Contract (except the Bank Credit Agreement) to be performed or observed by it, maintain each such Material Contract in full force and effect, enforce each such Material Contract in accordance with its terms, take all such action to such end as may be from time to time requested by the Agent and, upon request of the Agent, make to each other party to each such Material Contract such demands and requests for information and reports or for action as the Borrower is entitled to make under such Material Contract, and cause each of its Subsidiaries to do so.
- (l) Covenant to Guarantee Obligations. The Borrower shall and shall cause each of its Subsidiaries to at any time as any new direct or indirect Subsidiaries of the Borrower are formed or acquired, at the expense of the Borrower:
 - (i) within 10 days after such request, formation or acquisition, cause each such Subsidiary, and cause each direct and indirect parent (other than the Borrower) of such Subsidiary (if it has not already done so), to duly execute and deliver to the Agent a guaranty, in substantially the form of Exhibit D-2 hereto or otherwise in form and substance satisfactory to the Agent, guaranteeing the other Loan Parties' Obligations under the Loan Documents,
 - (ii) within 30 days after such formation or acquisition, deliver to the Agent a signed copy of a favorable opinion, addressed to the Agent and the other Lenders, of counsel for the Borrower acceptable to the Agent as to the matters contained in clause (i) above, as to such guaranties being legal, valid and binding obligations of each Loan Party thereto enforceable in accordance with their terms and as to such other matters as the Agent may reasonably request,
 - (iii) at any time and from time to time, promptly execute and deliver any and all further instruments and documents and take all such other action as

the Agent may deem necessary or desirable in obtaining the full benefits of such guaranties.

Section 5.02. Negative Covenants. The Borrower covenants and agrees that, so long as any Lender shall have any Commitment hereunder or any amount is outstanding under any of the Loan Documents, the Borrower shall not, and shall cause its Subsidiaries not to:

- (a) Additional Debt. Create, incur, assume or suffer to exist any Debt other than Debt arising under this Agreement and the other Loan Documents and Permitted Debt.
- (b) Liens, Etc. (i) At any time create, incur, assume or suffer to exist any Lien on any of its property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens and (ii) at any time agree, directly or indirectly, with respect to any asset material to the Borrower and its Subsidiaries taken as a whole to any restriction (including without limitation on the foregoing any requirement to grant a third Person a Lien in the event that the Lenders are granted a Lien) on the granting or conveying of Liens to the Lenders.
- (c) Investments, Loans, Advances. At any time make or suffer to remain outstanding any loan or advance to, or purchase, acquire or own any stock, bonds, notes or securities of, or any partnership interest (whether general or limited) in, or any other investment or interest in, or make any capital contribution to, any other Person, or agree, become or remain liable to do any of the foregoing, except as set forth on Schedule 5.02(c), other than:
 - (i) trade credit extended on usual and customary terms in the ordinary course of business;
 - (ii) advances to employees to meet expenses incurred by such employees in the ordinary course of business;
 - (iii) Permitted Investments;
 - (iv) loans, advances and investments in other Loan Parties and Subsidiaries of Loan Parties;
 - (v) Debt permitted pursuant to Section 5.02(a) and liquidations, mergers and consolidations permitted pursuant to Section 5.02(f); and
 - (vi) Investments other than that set forth hereinabove not to exceed \$10,000,000.

- (d) Operate Other Than in Ordinary Course. Operate its business, other than in the usual and ordinary course and other than that which is consistent with the past practice established by the Borrower or such Subsidiary, as the case may be.
- (e) Dividends, Etc. Except as provided herein, each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, make or pay, or agree to become or remain liable to make or pay, any dividend or other distribution of any nature (whether in cash, property, securities or otherwise) on account of or in respect of its shares of capital stock or partnership interests on account of the purchase, redemption, retirement or acquisition of its shares of capital stock (or warrants, options or rights therefor) or partnership interests, except dividends or other distributions payable to another Loan Party; provided that nothing in this Section 5.02(e) shall be deemed to prohibit cash dividends paid to the Borrower by its wholly owned Subsidiaries the proceeds of which are used to repay the Loan. The Company may declare and pay dividends on its capital stock which are payable solely in shares of its capital stock or other equity interests of the Company. The Company may make purchases and redemptions of its capital stock pursuant to existing plans provided that the aggregate of all such purchases does not exceed \$10,000,000.
- (f) Merger or Consolidation. Merge into or consolidate with, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person, except that nothing in this Section 5.02(f) shall prohibit (i) any direct or indirect wholly owned Subsidiary of the Borrower (other than a Loan Party) from merging into or consolidating with, or disposing of assets to, or acquiring assets of, any other wholly owned direct or indirect Subsidiary of the Borrower, (ii) any Subsidiary of the Borrower (other than a Loan Party) from merging into or disposing of assets to the Borrower, (iii) any Loan Party (other than the Borrower and Parent) from merging into or consolidating with any Loan Party which is wholly owned by Parent and (iv) the Parent from acquiring the Company pursuant to the Stock Purchase Agreement or from otherwise consummating the Acquisition.
- (g) Voluntary Payment or Redemption of Debt. Voluntarily prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, any Debt except, in each case, the Loan and except that the Borrower may make prepayments under the Bank Credit Agreement and payments in a principal amount not to exceed \$35,000,000 plus accrued interest and make-whole fees and expenses under the Note Purchase Agreement dated as of August 1, 1987 among the Borrower, the Parent and the Purchasers named therein.
- (h) Accounting Changes. Change its fiscal year to any fiscal year ending on any date which is not the end of a fiscal quarter as of the date of the making of the

Loan, or make any other significant change in accounting treatment and reporting practices except as required or permitted by GAAP; provided, however, that if any such change in the Borrower's fiscal year, or any other change after the date of the making of the Loan in GAAP, affects the substantive provisions of the financial covenants set forth in Section 5.03, the Lenders and the Borrower shall negotiate in good faith to amend or otherwise modify such covenants so that the substantive provisions of such covenants under GAAP as then in effect shall be as nearly equivalent as possible to the substantive provisions of such covenants under GAAP as of the date of the making of the Loan.

- (i) Restriction on Payments and Transfers. Other than encumbrances or restrictions that exist as of the date of this Agreement or created pursuant to the Bank Credit Agreement as in effect as of the date hereof, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the Borrower's or any of its Subsidiaries' ability to (i) pay dividends or make distributions of the Borrower or such Subsidiaries' capital stock, as the case may be, (ii) pay any debt owed to the Borrower or any of its other Subsidiaries, (iii) make loans or advances to the Borrower or any of its other Subsidiaries or (iv) transfer assets to, or create Liens in favor of, the Borrower or any of its Subsidiaries, as the case may be.
- (j) Amendments or Waivers. Amend, modify or change in any manner, or waive any rights of the Borrower or any of its Subsidiaries pursuant to, any agreement which, in the reasonable judgment of MLCC, could adversely affect in any material respect the refinancing contemplated by Section 8 of the Parent Guaranty or its rights and benefits under the Loan Documents and the documents delivered pursuant thereto, to which the Borrower or its Subsidiaries may be or become a party.
- (k) Sales, Etc. of Assets. Sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest or partnership interests of a Subsidiary of such Loan Party), except:
 - (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 such Loan Party's or such Subsidiary's business;
 - (iii) any sale, transfer or lease of assets by any wholly owned Subsidiary of such Loan Party to another Loan Party; and

- (iv) any sale, transfer or lease of assets, other than those specifically excepted pursuant to clauses (i) through (iii) above or clause (v) below, provided, however, that the aggregate after-tax net cash proceeds (including without limitation cash, as and when collected, pursuant to any notes or other securities received as consideration for such sale, transfer or lease) of all such sales, transfers or leases on and after the date hereof (as reasonably estimated by the Borrower) in excess of \$35,000,000 shall be applied in accordance with the terms of the Bank Credit Agreement and if the Commitments thereunder have been terminated, then shall be applied as a mandatory prepayment of the Loan in accordance with the provisions of Section 2.07(b)(i);
 - (v) any sale or transfer by the Parent of the capital stock or other equity interests of the Parent.
- (l) Maintenance of Ownership of Subsidiaries. Sell or otherwise dispose of any shares of capital stock of any Subsidiary or any warrants, rights or options to acquire such capital stock or permit any Subsidiary to issue, sell or otherwise dispose of any shares of its capital stock or the capital stock of any other Subsidiary or any warrants, rights or options to acquire such capital stock except (i) to the Borrower or another Subsidiary and (ii) to the extent that the Net Proceeds of such sale or disposition are used to repay the outstanding aggregate unpaid principal amount of the Loan as required under Section 2.07(b).
 - (m) Transactions with Affiliates. Except as set forth on Schedule 5.02(c) enter into or carry out any transaction or agreement with any Affiliate (including purchasing property or services from or selling property or services to any Affiliate of any Loan Party or other Person other than a Loan Party) unless such transaction is not otherwise prohibited by this Agreement, is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and conditions (including, without limitation, employment arrangements with any executive offices of the Borrower and its Subsidiaries) which are fully disclosed to the Agent and is in accordance with all applicable laws, rules, regulations and orders.
 - (n) Issuance of Capital Stock. Issue any capital stock or any warrants, rights or options to acquire any such capital stock.
 - (o) Amendment, Etc. of Material Contracts. Cancel or terminate any Material Contract (other than the Bank Credit Agreement) or consent to or accept any cancellation or termination thereof, amend or otherwise modify in any material respect any Material Contract (other than the Bank Credit Agreement) or give any consent, waiver or approval thereunder, waive any default under or breach of any Material Contract (other than the Bank Credit Agreement), agree in any manner to any other material amendment, modification or change of any term or

condition of any Material Contract (other than the Bank Credit Agreement) or take any other action in connection with any Material Contract (other than the Bank Credit Agreement) that would impair the value of the interest or rights of the Borrower thereunder or that would impair the interest or rights of the Agent or any Lender, or permit any of its Subsidiaries to do any of the foregoing provided, however, that nothing contained herein shall permit any amendment, modification or change of any term or condition in the Bank Credit Agreement that would limit or adversely affect any Loan Party's right or ability to repay the Loan as set forth in any Loan Agreement.

- (p) Investment Company. Be or become an investment company subject to the registration requirements under the Investment Company Act of 1940, as amended.
- (q) Capital Expenditures and Leases. Make any payments or incur any obligation on account of the purchase or lease of any assets which if purchased would constitute fixed assets or which if leased would constitute a capitalized lease under GAAP if the aggregate of such payments and incurred obligations together with all other similar payments and incurred obligations made during such fiscal year would exceed the amount set forth below for such fiscal year:

Fiscal Year Ending -----	Maximum Consolidated Capital Expenditures -----
February 1, 1997	\$110,000,000
January 31, 1998 and each fiscal year thereafter	\$100,000,000

Section 5.03. Financial Covenants. So long as any Lender shall have any Commitment hereunder or any amount is outstanding under any of the Loan Documents, Parent shall not:

- (a) Maintenance of Tangible Net Worth. Permit, at any time, Consolidated Tangible Net Worth to be less than the Base Tangible Net Worth.
- (b) Minimum Fixed Charge Coverage Ratio. Permit at any time the Fixed Charge Coverage Ratio of the Borrower, calculated as of the end of each fiscal quarter, to be less than 1.1 to 1.

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

- (a) (i) The Borrower shall fail to pay the principal on any Note when due and payable or (ii) the Borrower shall fail to pay any interest on any Note, or any Loan Party shall fail to pay any other amount payable under any Loan Document, in each case under this clause (ii), within five days after the same becomes due and payable; or
- (b) Any representation or warranty made by any Loan Party (or any of their respective officers) under or in connection any Loan Document shall prove to have been incorrect in any material respect when made; or
- (c) Any Loan Party shall fail to perform or observe (i) any term, covenant or agreement contained in Sections 2.09, 5.01(a), (e), (g) and (h), 5.02 or 5.03; or (ii) any other term, covenant or agreement contained in this Agreement and any other Loan Document (excluding any term, covenant or agreement covered by Section 6.01(a)), if such failure shall remain unremedied for 15 days after written notice thereof shall have been given to the Borrower by any Lender; or
- (d) Any Loan Party or any of its Subsidiaries shall fail to pay any principal of, premium or interest on, or other amount payable in respect of, any Debt which is outstanding in a principal amount of at least \$10,000,000 in the aggregate (but excluding Debt evidenced by the Notes) of such Person when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if, in the case of Debt under the Bank Credit Agreement, the effect of such event or condition is to accelerate the maturity of such Debt or otherwise cause such Debt to mature, and in the case of all other Debt, the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt or otherwise cause, or permit the holder thereof to cause, such Debt to mature; or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

- (e) Parent, the Borrower, any Material Subsidiary or one or more other Subsidiaries of the Borrower which individually or in the aggregate represent more than 5% of the book value of the Consolidated assets of the Borrower and its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against Parent, the Borrower, any Material Subsidiary or any such other Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, with respect to such other Subsidiary, the result of such proceeding would have a Material Adverse Effect; or seeking a warrant of attachment, execution or similar process against any substantial part of the property of Parent, the Borrower, any Material Subsidiary or any such other Subsidiary property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, or for any substantial part of, its property) shall occur and, with respect to such other Subsidiary, the result of such proceeding would have a Material Adverse Effect; or any Loan Party shall take corporate action to authorize any of the actions set forth above in this subsection (e); or
- (f) Any judgment or order for the payment of money in excess of \$10,000,000 shall be rendered against any Loan Party or any of its Subsidiaries, and either (i) an enforcement proceeding shall have been commenced by any creditor upon such judgment or order or (ii) there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or
- (g) Any non-monetary judgment or order shall be rendered against any Loan Party or any of its Subsidiaries that could be reasonably likely to have a Material Adverse Effect, and there shall be any period of 60 consecutive days during which a stay of enforcement or such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or
- (h) Any provision of any Loan Document after delivery thereof shall for any reason cease to be valid and binding on any Loan Party thereto or such Loan Party shall so state in writing; or
- (i) Any ERISA Event shall have occurred with respect to a Plan and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of

such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Loan Parties and the ERISA Affiliates related to such ERISA Event) exceeds \$10,000,000; or

- (j) Any Loan Party or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount that, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Loan Parties and the ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds \$10,000,000 or requires payments exceeding \$2,000,000 per annum; or
- (k) Any Loan Party or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as result of such reorganization or termination the aggregate annual contributions of the Loan Parties and the ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding \$2,000,000; or
- (l) Any Change of Control shall occur; or
- (m) The Borrower shall cease to own, directly or indirectly, 100% of the outstanding shares of capital stock of the Company; or

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Lenders, by notice to the Borrower and the Bank Agent, declare the obligation of the Lenders to make the Loan to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower and the Bank Agent, declare the Notes, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, (A) the obligation of the Lenders to make the Loan shall automatically be terminated and (B) the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII

THE AGENT

Section 7.01. Authorization and Action. Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

Section 7.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with the Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the payee of any Note as the holder thereof until the Agent receives and accepts an Assignment and Acceptance entered into by the Lender that is the payee of such Note, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.08; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with the Loan Documents; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Loan Document on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of any Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

Section 7.03. MLCC and Affiliates. With respect to its Commitment, the portion of the Loan made by it and the Notes issued to it, MLCC shall have the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include MLCC in its individual capacity. MLCC and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if MLCC were not the Agent and without any duty to account therefor to the Lenders.

Section 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

Section 7.05. Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Notes then held by each of them (or if no Notes are at the time outstanding or if any Notes are held by Persons that are not Lenders, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of the Loan Documents or any action taken or omitted by the Agent under the Loan Documents, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, the Loan Documents, to the extent that the Agent is not reimbursed for such expenses by the Borrower.

Section 7.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent and, so long as no Default or Event of Default shall have occurred and be continuing, subject to the approval of the Borrower, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

ARTICLE VIII

TERMS OF SUBORDINATION

Section 8.01. Subordinated Debt Subordinate to Senior Indebtedness. The Borrower agrees, and each Lender and holder of any Note, by its acceptance thereof, also agrees, that the Subordinated Debt is and shall be subordinate, to the extent and in the manner hereinafter set forth, to the prior payment in full in cash of all Senior Indebtedness.

Section 8.02. Events of Subordination. (a) In the event of any dissolution, winding up, liquidation, arrangement, reorganization, adjustment, protection, relief or composition of the Borrower or its debts, whether voluntary or involuntary, in any bankruptcy, insolvency, arrangement, reorganization, receivership, relief or other similar case or proceeding under any Federal or State bankruptcy or similar law or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Borrower or otherwise, Senior Indebtedness shall first be paid in full before the Lenders or other holders of any Subordinated Debt shall be entitled to receive any payment of all or any of the Subordinated Debt, and any payment that otherwise would be payable upon or with respect to the Subordinated Debt in any such case, proceeding, assignment, marshalling or otherwise (including any payment that may be payable by reason of any other indebtedness of the Borrower being subordinated to payment of the Subordinated Debt) shall be paid or delivered directly to the Bank Agent for the account of the Banks for application to the payment or prepayment of the Senior Indebtedness until the Senior Indebtedness shall have been paid in full.

(b) In the event that any Bank Event of Default described in Section 8.1.1 of the Bank Credit Agreement shall have occurred and be continuing, then no payment (including any payment that may be payable by reason of any other indebtedness of the Borrower being subordinated to payment of the Subordinated Debt) shall be made by or on behalf of the Borrower for or on account of any Subordinated Debt, and neither the Agent nor any Lender or other holder of any Subordinated Debt shall take or receive from the Borrower, directly or indirectly, in cash or other property or by set-off or in any other manner, including, without limitation, from or by way of collateral, payment of all or any of the Subordinated Debt.

(c) In the event that any Bank Event of Default (other than a Bank Event of Default described in Section 8.1.1 of the Bank Credit Agreement) shall have occurred and be continuing and the Bank Agent gives written notice thereof to the Agent, then no payment (including any payment that may be payable by reason of any other indebtedness of the Borrower being subordinated to payment of the Subordinated Debt) shall be made by or on behalf of the Borrower for or on account of any Subordinated Debt, and neither the Agent nor any Lender or other holder of any Subordinated Debt shall take or receive from the Borrower, directly or indirectly, in cash or other property or by set-off or in any other manner, including, without limitation, from or by way of collateral, payment of all or any of the Subordinated Debt, during a period (the "Payment Blockage Period") commencing on the date of receipt of such notice and ending on the earlier of (i) the date such Bank Event of Default shall have been cured or waived in writing and (ii) the date 179 days from the date of receipt of such notice. Any number of such notices may be given by the Agent; provided, however, that during any 360-day period the aggregate number of days during which a Payment Blockage Period shall be in effect shall not exceed 179 days and there shall be a period of at least 181 consecutive days in each 360-day period when no Payment Blockage Period is in effect.

Section 8.03. In Furtherance of Subordination.

(a) Each Lender or other holder of any Notes by its acceptance thereof authorizes and directs the Agent on its behalf to take such action as may be necessary or appropriate to effectuate, as between the Bank Agent and the Banks and the Lenders and other holders of Subordinated Debt, the subordination as provided in this Article VIII and appoints the Agent his attorney-in-fact for any and all such purposes.

(b) If any proceeding referred to in Section 8.02(a) above is commenced by or against the Borrower, the Lenders and other holders of the Subordinated Debt and the Agent shall duly and promptly take such action as the Bank Agent may reasonably request (A) to collect the Subordinated Debt and to file appropriate claims or proofs of claim in respect of the Subordinated Debt and (B) to collect and receive any and all payments which may be payable upon or with respect to the Subordinated Debt.

(c) All payments upon or with respect to the Subordinated Debt which are received by the Agent or any Lender or other holder of any Subordinated Debt contrary to the

provisions of this Article shall be received in trust for the benefit of the Banks, shall be segregated from other funds and property held by the Agent or such Lender or other holder of Subordinated Debt and shall be forthwith paid over to the Bank Agent for the account of the Banks in the same form as so received (with any necessary indorsement) to be applied to the payment or prepayment of the Senior Indebtedness in accordance with the terms of the Bank Credit Agreement.

(d) The Bank Agent is hereby authorized to demand specific performance of the provisions of this Article, whether or not the Borrower shall have complied with any of the provisions hereof applicable to it, at any time when any Lender or other holder of Subordinated Debt or the Agent shall have failed to comply with any of the provisions of this Article applicable to it. The Lenders and other holders of the Subordinated Debt and the Agent 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.

Section 8.04. Rights of Subrogation. No payment or distribution to the Bank Agent or the Banks pursuant to the provisions of this Article shall entitle any Lender or other holder of Subordinated Debt to exercise any right of subrogation in respect thereof until the Senior Indebtedness shall have been paid in full.

Section 8.05. Further Assurances. The Lenders and other holders of the Subordinated Debt, the Agent and the Borrower each will, at the Borrower'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 be necessary or desirable, or that the Bank Agent may reasonably request, in order to protect any right or interest granted or purported to be granted hereby or to enable the Bank Agent or any Bank to exercise and enforce its rights and remedies hereunder.

Section 8.06. Agreements in Respect of Subordinated Debt. (a) No amendment, waiver or other modification of this Agreement may adversely affect the rights or interests of the Bank Agent or any Bank hereunder.

(b) The Agent shall promptly notify the Bank Agent of the occurrence of any Event of Default.

Section 8.07. Agreement by the Borrower. The Borrower agrees that it will not make, nor permit any of its Subsidiaries to make, any payment of any of the Subordinated Debt, or take any other action, in contravention of the provisions of this Article.

Section 8.08. Waiver. The Lenders and other holders of the Subordinated Debt, the Agent and the Borrower each hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Senior Indebtedness and this Article and any requirement that the Bank Agent or any Bank protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right or take any action against the Borrower or any other person or entity or any collateral.

Section 8.09. No Waiver; Remedies. No failure on the part of the Bank Agent or any Bank 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 hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Amendments, Etc. Except as otherwise specifically provided in Section 2.04(b)(iv), no amendment or waiver of any provision of any Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) waive any of the conditions specified in Section 3.01 or 3.02, (b) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, (f) amend this Section 9.01; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

Section 9.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopy, telex or cable communication) and mailed, telegraphed, telecopied, telexed, cabled or delivered, if to the Borrower, at its address at 300 Phillipi Road, P.O. Box 28512, Columbus, Ohio 43228-0512, Attention: James A. McGrady, Telecopier No. (614) 464-6666; with a copy to Benesch, Friedlander, Coplan & Aronoff P.L.L., 2300 B.P. America Building, 200 Public Square, Cleveland, Ohio 44114-2378, Attention: Michael Wager, Telecopier No. (216) 363-4588; if to the Agent, at its address at Merrill Lynch World Headquarters, North Tower, World Financial Center, New York, New York 10281, Attention: Christopher Birosak, with a copy to William R. Giusti, Esq., Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022 and a copy to MLPF&S at its address at Merrill Lynch World Headquarters, North Tower, World Financial Center, New York, New York 10281-1201, Attention: Christopher Birosak; if to any Initial Lender, at its Lending Office specified below its name on the signature pages hereto; if to any other Lender, at its Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications shall, when mailed, telecopied, telegraphed, telexed or cabled, be effective when deposited in the mails, telecopied, delivered to the telegraph company, confirmed by telex answerback or delivered to the cable company, respectively, addressed as aforesaid, except that notices to the Agent or any Lender pursuant to the provisions of Article II shall not be effective until received by the Agent or such Lender, as the case may be.

Section 9.03. No Waiver; Remedies. No failure on the part of the Agent or any Lender to exercise, and no delay in exercising, any right hereunder or under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 9.04. Costs and Expenses. The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents and the other documents to be delivered under the Loan Documents (including, without limitation, (i) all due diligence, syndication (including printing, distribution and bank meetings); transportation, computer, duplication, appraisal, audit, insurance, consultant, search, filing and recording fees and expenses and (ii) the reasonable fees and expenses of counsel for the Agent with respect thereto, with respect to advising the Agent as to its rights and responsibilities, or the protection or preservation of rights and interests, under the Loan Documents, with respect to negotiations with the Borrower or with other creditors of the Borrower or any of its Subsidiaries arising out of any Default or any events or circumstances which may give rise to a Default and with respect to presenting claims in or otherwise participating in or monitoring any bankruptcy, insolvency or other similar proceeding involving creditors' rights generally and any proceeding ancillary thereto). The Borrower further agrees to pay on demand all costs and expenses, if any

(including, without limitation, reasonable counsel fees and expenses), of the Agent and the Lenders in connection with the enforcement (whether through negotiations or in any action, suit or litigation, any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally or otherwise) of Loan Documents and the other documents to be delivered under the Loan Documents, including, without limitation, reasonable counsel fees and expenses in connection, with the enforcement of rights under this Section 9.04.

Section 9.05. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower, the Initial Lenders and the Agent and thereafter shall be binding upon and inure to the benefit of the Borrower, the Borrower, each Lender and the Agent and their respective successors and assigns, except that the Borrower shall not have the right to assign or otherwise transfer all or any part of its rights or obligations hereunder or any interest herein without the prior written consent of the Lenders.

Section 9.06. Indemnity. (a) The Borrower agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their respective directors, officers, employees, agents and controlling persons (each, an "Indemnified Party") from and against any and all losses, claims, damages, expenses and liabilities (including counsel fees and expenses), joint or several, to which such Indemnified Party may become subject under any applicable federal or state law and related to or arising out of (i) any transaction contemplated by the Loan Documents or the execution, delivery and performance of the Loan Documents or any other document in any way relating to the Loan and the other transactions contemplated by the Loan Documents, or (ii) the actual or alleged presence of Hazardous Materials on any property of the Borrower or any of its Subsidiaries or any Environmental Action relating in any way to the Borrower or any of its Subsidiaries. In the case of a claim, action or proceeding to which the indemnity in this Section 9.06(a) otherwise applies, the indemnity shall be effective whether or not such Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by or on behalf of the Borrower or any of its Subsidiaries. The Borrower will not be liable under the foregoing indemnification provision to an Indemnified Party to the extent that any loss, claim, damage, liability or expense is found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's bad faith or gross negligence. The Borrower also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Borrower or any of its Subsidiaries, or any security holders or creditors thereof related to or arising out of the execution, delivery and performance of any Loan Document or any other document in any way relating to any of the Loans or the other transactions contemplated by the Loan Documents except to the extent that any loss, claim, damage or liability is found in a final, non-appealable judgment by a court to have resulted from such Indemnified Party's bad faith or gross negligence.

(b) If the indemnification of an Indemnified Party provided for in Section 9.06(a) is for any reason held unenforceable, the Borrower agrees to contribute to the losses, claims,

damages and liabilities for which such indemnification is held unenforceable (i) in such proportion as is appropriate to reflect the relative benefits to the Borrower and its Subsidiaries, on the one hand, and such Indemnified Party, on the other hand, of the transactions contemplated by the Loan Documents, including, without limitation, the Loans and the other transactions contemplated by any other document in any way relating to any of the Loans (whether or not any of such transaction is consummated) or (ii) if (but only if) the allocation provided for in clause (i) is for any reason held unenforceable, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Borrower and its Subsidiaries, on the one hand, and such Indemnified Party, on the other hand, as well as any other relevant equitable considerations. The Borrower agrees that for the purposes of this paragraph the relative benefits to the Borrower and its Subsidiaries and the Indemnified Parties of the transactions contemplated by this Agreement, including, without limitation, the Loan, and the other transactions contemplated by any other document in any way relating to the Loan, shall be deemed to be in the same proportion that the proceeds of the Loan paid or to be paid to the Borrower bears to the interest and fees paid or to be paid to such Indemnified Party in connection with the Loans; provided, however, that, to the extent permitted by applicable law, in no event shall any Indemnified Party be required to contribute an aggregate amount in excess of the aggregate interest and fees actually paid to such Indemnified Party in connection with the Loan.

(c) The Borrower agrees that, without the Lenders' prior written consent, neither it nor any of its Subsidiaries will settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification could be sought under this Section 9.06 (whether or not MLCC or any other Indemnified Party is an actual or potential party to such claim, action or proceeding), unless such settlement, compromise or consent includes any unconditional release of each Indemnified Party from all liability arising out of such claim, action or proceeding.

(d) In the event that an Indemnified Party is requested or required to appear as a witness in any action brought by or on behalf of or against the Borrower or any of its Subsidiaries or any Affiliate thereof in which such Indemnified Party is not named as a defendant, the Borrower agrees to reimburse such Indemnified Party for all reasonable expenses incurred by it in connection with such Indemnified Party's appearing and preparing to appear as such a witness, including, without limitation, the reasonable fees and disbursements of its legal counsel.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 9.06 shall survive the payment in full of all amounts payable hereunder and under the Notes.

Section 9.07. Right of Set-off. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is

hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

Section 9.08. Assignments and Participations. (a) Each Lender may assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Note held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement, (ii) each such assignment shall be to an Eligible Assignee, and (iii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note subject to such assignment and a processing and recordation fee of \$3,000. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto). The Agent intends to consult with PNC Bank, Ohio, National Association, as agent under the Bank Credit Agreement with respect to the syndication of the Loan and to reach mutual agreement with such agent with respect to such syndication to any commercial banks.

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value this Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes

no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under any Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) The Agent shall maintain at its address referred to in Section 9.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and the principal amount of the portion of the Loan owing to each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent in exchange for the surrendered Note a new Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Commitment hereunder, a new Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-1 or A-2 hereto, as the case may be.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Note held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of any Loan Documents, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.08, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Note held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

Section 9.09. Governing Law. This Agreement and each Note shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 9.10. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties thereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Section 9.11. Consent to Jurisdiction. (a) The Borrower hereby irrevocably submits to the jurisdiction of any New York State or Federal court sitting in the City of New York, New York County, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, and the Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State court or such Federal court. The Borrower hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Borrower hereby irrevocably consents to the service of copies of any summons and complaint and any other process which may be served in any such action or proceeding by certified mail, return receipt requested, or by delivering a copy of such process to the Borrower, at its address specified in Section 9.02 or by any other method permitted by law. The Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or by any other manner provided by law.

(b) Nothing in this Section 9.11 shall affect the right of the Agent or any Lender to serve legal process in any other manner permitted by law or affect the right of the Agent or any Lender to bring any action or proceeding against the Borrower or their property in the courts of other jurisdictions.

SECTION 9.12. WAIVER OF JURY TRIAL. EACH OF THE BORROWER, THE LENDERS AND THE AGENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS, ANY DOCUMENT DELIVERED UNDER THE LOAN DOCUMENTS, THE LOAN OR THE ACTIONS OF THE AGENT OR ANY LENDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

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

CONSOLIDATED STORES CORPORATION,
as Borrower

By
Name:
Title:

MERRILL LYNCH CAPITAL CORPORATION
as Agent

By
Name:
Title:

INITIAL LENDERS

Commitment

\$100,000,000

MERRILL LYNCH CAPITAL CORPORATION

By
Name:
Title:

\$100,000,000
=====

Total of the Commitments

PARENT GUARANTY

Dated as of May 3, 1996

From

CONSOLIDATED STORES CORPORATION,

as Guarantor

in favor of

THE LENDERS PARTY TO THE SHORT TERM LOAN AGREEMENT
REFERRED TO HEREIN,

and

MERRILL LYNCH CAPITAL CORPORATION,

as Agent

EXHIBIT 10(c)(i)

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PARENT GUARANTY

GUARANTY dated May 3, 1996 made by Consolidated Stores Corporation, a Delaware corporation (the "GUARANTOR"), in favor of the banks, financial institutions and other institutional lenders (the "LENDERS") party to the Short Term Loan Agreement (as defined below), and MERRILL LYNCH CAPITAL CORPORATION, a Delaware corporation ("MLCC") as agent (the "AGENT") for the Lenders.

PRELIMINARY STATEMENT. The Lenders and the Agent are parties to a Short Term Loan Agreement dated as of May 3, 1996 (said Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "SHORT TERM LOAN AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined) with Consolidated Stores Corporation, an Ohio corporation (the "BORROWER"). The Guarantor is the Parent of the Borrower and will derive substantial direct and indirect benefit from the transactions contemplated by the Short Term Loan Agreement. It is a condition precedent to the making of Advances by the Lenders under the Short Term Loan Agreement that the Guarantor shall have executed and delivered this Guaranty.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Advances to the Borrower under the Short Term Loan Agreement, the Guarantor hereby agrees as follows:

SECTION 1. GUARANTY. The Guarantor hereby unconditionally and irrevocably guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of each other Loan Party now or hereafter existing under the Loan Documents, whether for principal, interest, fees, expenses or otherwise (such Obligations being the "GUARANTEED OBLIGATIONS"), and agrees to pay any and all expenses (including counsel fees and expenses) incurred by the Agent or any Lender in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any other Loan Party to the Agent or any other Party under the Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such Loan Party.

SECTION 2. GUARANTY ABSOLUTE. The Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent or the Lenders with respect thereto. The Obligations of the Guarantor under this Guaranty are independent of the Guaranteed Obligations or any other Obligations of any other Loan Party under the Loan Documents, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Borrower or any other Loan Party or whether the Borrower or any

other Loan Party is joined in any such action or actions. The liability of the Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of any Loan Document or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other Obligations of any other Loan Party under the Loan Documents, or any other amendment or waiver of or any consent to departure from any Loan Document, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to the Borrower or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of any collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any collateral for all or any of the Guaranteed Obligations or any other Obligations of any other Loan Party under the Loan Documents or any other assets of the Borrower or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of the Borrower or any of its Subsidiaries;

(f) any failure of the Agent or any Lender to disclose to the Borrower or the Guarantor any information relating to the financial condition, operations, properties or prospects of any other Loan Party now or in the future known to the Agent or such Lender (the Guarantor waiving any duty on the part of the Parties to disclose such information); or

(g) any other circumstance (including, without limitation, any statute of limitations or any existence of or reliance on any representation by the Agent or any Lender that might otherwise constitute a defense available to, or a discharge of, the Borrower or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Agent or any Lender or by any other Person upon the insolvency, bankruptcy or reorganization of the Borrower or any other Loan Party or otherwise, all as though such payment had not been made.

SECTION 3. WAIVERS. (a) The Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that the Agent or any Lender protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against the Borrower or any other Person or any collateral.

(b) The Guarantor hereby waives any right to revoke this Guaranty, and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and that the waivers set forth in this Section 3 are knowingly made in contemplation of such benefits.

SECTION 4. SUBROGATION. The Guarantor will not exercise any rights that it may now or hereafter acquire against the Borrower or any other insider guarantor that arise from the existence, payment, performance or enforcement of the Guarantor's Obligations under this Guaranty or any other Loan Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or any Lender against the Borrower or any other insider guarantor or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Borrower or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, until all of the Obligations and all other amounts payable under this Guaranty shall have been paid in full and the Commitments shall have expired or terminated. If any amount shall be paid to the Guarantor in violation of the preceding sentence at any time prior to the later of the cash payment in full of the Guaranteed Obligations and all other amounts payable under this Guaranty and the Termination Date, such amount shall be held in trust for the benefit of the Agent and the Lenders and shall forthwith be paid to the Agent to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Loan Documents, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising. If (i) the Guarantor shall make payment to the Agent or any Lender of all or any part of the Guaranteed Obligations, (ii) all the Guaranteed Obligations and all other amounts payable under this Guaranty shall be paid in full and (iii) the Termination Date shall have occurred, the Agent and the Lenders will, at the Guarantor's request and expense, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Guaranteed Obligations resulting from such payment by the Guarantor.

SECTION 5. PAYMENTS FREE AND CLEAR OF TAXES, ETC. (a) Any and all payments made by the Guarantor hereunder shall be made, in accordance with Section 2.08 of the Short Term Loan Agreement, free and clear of and without deduction for any and all present or future Taxes. If the Guarantor shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Agent or any Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 5) the Agent or such Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Guarantor shall make such deductions and (iii) the Guarantor shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Guarantor agrees to pay any present or future Other Taxes.

(c) The Guarantor will indemnify the Agent and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any taxes imposed by any jurisdiction on amounts payable under this Section 5) imposed on or paid by the Agent or such Lender (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date the Agent or such Lender (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes by or on behalf of the Guarantor, the Guarantor will furnish to the Agent, at its address referred to in Section 9.02 of the Short Term Loan Agreement, the original or a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder by or on behalf of the Guarantor through an account or branch outside the United States or by or on behalf of the Guarantor by a payor that is not a United States person, if the Guarantor determines that no Taxes are payable in respect thereof, the Guarantor shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "UNITED STATES" and "UNITED STATES PERSON" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Upon the reasonable request in writing of the Guarantor, each Lender organized under the laws of a jurisdiction outside the United States shall, on or prior to the date of its execution and delivery of the Short Term Loan Agreement in the case of each Initial Lender, and on the date of the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender, and from time to time thereafter upon the reasonable request in writing by the Guarantor (but only so long thereafter as such Lender remains lawfully able to do so), provide each of the Agent and the Guarantor with two original Internal Revenue Service forms 1001 or 4224, as

appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or is entitled to a reduced rate of United States withholding tax on payments under the Short Term Loan Agreement or the Notes. If the forms provided by a Lender at the time such Lender first becomes a party to the Short Term Loan Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; PROVIDED, HOWEVER, that, if at the date of the Assignment and Acceptance pursuant to which a Lender assignee becomes a party to the Short Term Loan Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender Party assignee on such date. If any form or document referred to in this subsection (e) and requested by the Guarantor pursuant to this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form 1001 or 4224, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the Guarantor and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed to provide the Guarantor following the Guarantor's request therefor pursuant to subsection (e) above with the appropriate form described in subsection (e) (OTHER THAN if such failure is due to a change in law occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (e)), such Lender shall not be entitled to indemnification under subsection (a) or (c) with respect to Taxes imposed by the United States by reason of such failure; PROVIDED, HOWEVER, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, the Guarantor shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(g) Without prejudice to the survival of any other agreement of any Loan Party hereunder or under any other Loan Document, the agreements and obligations of the Guarantor contained in this Section 5 shall survive the payment in full of the Guaranteed Obligations and all other amounts payable under this Guaranty.

SECTION 6. REPRESENTATIONS AND WARRANTIES. The Guarantor hereby represents and warrants as of the date hereof as follows:

(a) The Guarantor and each of its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted. The Guarantor and each of its Subsidiaries listed on Schedule 4.01(j) is duly qualified or licensed to do business as a foreign corporation in good standing in all jurisdictions in which it owns or leases property or proposes to own or lease property or in which the conduct of its business requires it to so qualify or be licensed, except for such jurisdictions where the failure to so qualify or be licensed would not have a Material Adverse Effect. All of the outstanding capital stock of the Guarantor and each of its Subsidiaries has been validly issued, is fully paid and non-assessable.

(b) The Guarantor has full corporate power and authority to enter into, deliver and perform its obligations under each Loan Document and each Material Contract to which it is or will be a party and to consummate each of the transactions contemplated by each such Loan Document and Material Contract and has taken all necessary corporate action to authorize the execution, delivery and performance by it of each Loan Document to which it is or will be a party and to authorize the Acquisition; and each Loan Document to which it is a party constitutes, and each Material Contract to which it is or will be a party when delivered pursuant to the Short Term Loan Agreement will constitute, the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect affecting the enforcement of creditors' rights generally.

(c) Neither the execution and delivery of any Loan Document, any Material Contract to which the Guarantor is or is to be a party nor the performance by the Guarantor of its obligations thereunder, nor the consummation of the transactions contemplated thereby including, without limitation, the Acquisition will, (i) conflict with the charter or by-laws of the Guarantor or (ii) conflict with or result in a breach of, or constitute a default under, or result in the creation or imposition of any Lien upon any of the property or assets of the Guarantor or any Subsidiary of the Guarantor, as the case may be, under, (A) any applicable laws (including, without limitation, Regulation X issued by the Board of Governors of the Federal Reserve System), (B) any loan agreement, indenture or similar instrument or agreement, or (C) any material mortgage, deed of trust or other similar instrument or agreement, in each case, to which the Guarantor or any Subsidiary of the Guarantor, as the case may be, may be or become a party or by which it may be or become bound or to which any of the property or assets of

the Guarantor or any Subsidiary of the Guarantor, as the case may be, may be subject.

(d) No consent, approval, exemption, order or authorization of, or a registration or filing with, any Official Body or any other Person is required by any law, constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree or award of any Official Body or any agreement in connection with the execution, delivery and carrying out of this Guaranty, the other Loan Documents or the Material Contracts by the Guarantor, except as listed in Schedule 4.01(d), all of which shall have been obtained or made on or prior to the Closing Date.

(e) There are no actions, suits, proceedings or investigations pending or, to the knowledge of the Guarantor, threatened against the Guarantor or any Subsidiary of the Guarantor at law or equity before any Official Body which individually or in the aggregate (A) would restrain, prohibit or impose adverse conditions on the ability of the Lenders to make the Loan, (B) could be reasonably expected to have a Material Adverse Effect, (C) would impair the ability of MLPF&S to sell debt or equity securities as contemplated by Section 8 hereof or (D) could purport to affect the legality, validity or enforceability of this Guaranty, any other Loan Document or the consummation of the transactions contemplated thereby, including, without limitation, the Acquisition and the Offering, and, in each case there is a reasonable probability that such action, suit, investigation, litigation or proceeding would be successful on the merits.

(f) No event has occurred and is continuing and no condition exists now or will exist after the execution of the Loan Documents or the Material Contracts which constitutes a Default. Neither the Guarantor nor any Subsidiaries of the Guarantor is in violation of (i) any term of its certificate of incorporation, bylaws, or other organizational documents or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties may be subject or bound where such violation would reasonably be expected to have a Material Adverse Effect.

(g) There are no conditions precedent to the effectiveness of this Guaranty that have not been satisfied or waived.

(h) The Guarantor has, independently and without reliance upon the Agent or any Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty, and the Guarantor has established adequate means of obtaining from any other Loan Parties on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the financial condition, operations, properties and prospects of such other Loan Parties.

(i) The breach of any of the foregoing representations and warranties with respect to a Subsidiary of the Guarantor other than the Borrower or a Material Subsidiary shall not be deemed to breach such representation or warranty unless such breach has a Material Adverse Effect.

SECTION 7. TERMS OF SUBORDINATION. (a) SUBORDINATED DEBT SUBORDINATE TO SENIOR INDEBTEDNESS. The Guarantor agrees, and each Lender and holder of any Note, by its acceptance thereof, also agrees, that the Subordinated Debt (as defined below) is and shall be subordinate, to the extent and in the manner hereinafter set forth, to the prior payment in full in cash of all Senior Indebtedness (as defined below).

(b) EVENTS OF SUBORDINATION. (i) In the event of any dissolution, winding up, liquidation, arrangement, reorganization, adjustment, protection, relief or composition of the Guarantor or its debts, whether voluntary or involuntary, in any bankruptcy, insolvency, arrangement, reorganization, receivership, relief or other similar case or proceeding under any Federal or State bankruptcy or similar law or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Guarantor or otherwise, Senior Indebtedness shall first be paid in full before the Lenders or other holders of any Subordinated Debt shall be entitled to receive any payment of all or any of the Subordinated Debt, and any payment that otherwise would be payable upon or with respect to the Subordinated Debt in any such case, proceeding, assignment, marshalling or otherwise (including any payment that may be payable by reason of any other indebtedness of the Guarantor being subordinated to payment of the Subordinated Debt) shall be paid or delivered directly to the Bank Agent for the account of the Banks for application to the payment of the Senior Indebtedness until the Senior Indebtedness shall have been paid in full.

(ii) In the event that any Bank Event of Default described in Section 8.1.1 of the Bank Credit Agreement shall have occurred and be continuing with respect to the Guarantor, then no payment (including any payment that may be payable by reason of any other indebtedness of the Guarantor being subordinated to payment of the Subordinated Debt) shall be made by or on behalf of the Guarantor for or on account of any Subordinated Debt, and neither the Agent nor any Lender or other holder of any Subordinated Debt shall take or receive from the Guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, including, without limitation, from or by way of collateral, payment of all or any of the Subordinated Debt.

(iii) In the event that any Bank Event of Default (other than a Bank Event of Default described in Section 8.1.1 of the Bank Credit Agreement) shall have occurred and be continuing with respect to the Guarantor and the Bank Agent gives written notice thereof to the Agent, then no payment (including any payment that may be payable by reason

of any other indebtedness of the Guarantor being subordinated to payment of the Subordinated Debt) shall be made by or on behalf of the Guarantor for or on account of any Subordinated Debt, and neither the Agent nor any Lender or other holder of any Subordinated Debt shall take or receive from the Guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, including, without limitation, from or by way of collateral, payment of all or any of the Subordinated Debt, during a period (the "PAYMENT BLOCKAGE PERIOD") commencing on the date of receipt of such notice and ending on the earlier of (i) the date such Bank Event of Default shall have been cured or waived in writing and (ii) the date 179 days from the date of receipt of such notice. Any number of such notices may be given by the Agent; PROVIDED, HOWEVER, that during any 360-day period the aggregate number of days during which a Payment Blockage Period shall be in effect shall not exceed 179 days and there shall be a period of at least 181 consecutive days in each 360-day period when no Payment Blockage Period is in effect.

(c) IN FURTHERANCE OF SUBORDINATION. (i) Each Lender or other holder of any Notes by its acceptance thereof authorizes and directs the Agent on its behalf to take such action as may be necessary or appropriate to effectuate, as between the Bank Agent and the Banks and the Lenders and other holders of Subordinated Debt, the subordination as provided in this Section 7 and appoints the Agent his attorney-in-fact for any and all such purposes.

(ii) If any proceeding referred to in Section 7(b)(i) above is commenced by or against the Guarantor, the Lenders and other holders of the Subordinated Debt and the Agent shall duly and promptly take such action as the Bank Agent may reasonably request (A) to collect the Subordinated Debt and to file appropriate claims or proofs of claim in respect of the Subordinated Debt and (B) to collect and receive any and all payments which may be payable upon or with respect to the Subordinated Debt.

(iii) All payments upon or with respect to the Subordinated Debt which are received by the Agent or any Lender or other holder of any Subordinated Debt contrary to the provisions of this Section shall be received in trust for the benefit of the Banks, shall be segregated from other funds and property held by the Agent or such Lender or other holder of Subordinated Debt and shall be forthwith paid over to the Bank Agent for the account of the Banks in the same form as so received (with any necessary indorsement) to be applied to the payment or prepayment of the Senior Indebtedness in accordance with the terms of the Bank Credit Agreement.

(iv) The Bank Agent is hereby authorized to demand specific performance of the provisions of this Section, whether or not the Guarantor shall have complied with any of the provisions hereof applicable to it, at any time when any Lender or other holder of Subordinated Debt or the Agent shall have failed to comply with any of the provisions of this Section applicable to it. The Lenders and other holders of the Subordinated Debt and the Agent 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.

(d) RIGHTS OF SUBROGATION. No payment or distribution to the Bank Agent or the Banks pursuant to the provisions of this Section shall entitle any Lender or other holder of Subordinated Debt to exercise any right of subrogation in respect thereof until the Senior Indebtedness shall have been paid in full.

(e) FURTHER ASSURANCES. The Lenders and other holders of the Subordinated Debt, the Agent and the Guarantor each will, at the Guarantor'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 be necessary or desirable, or that the Bank Agent may reasonably request, in order to protect any right or interest granted or purported to be granted hereby or to enable the Bank Agent or any Bank to exercise and enforce its rights and remedies hereunder.

(f) AGREEMENTS IN RESPECT OF SUBORDINATED DEBT. (i) No amendment, waiver or other modification of this Guaranty may adversely affect the rights or interests of the Bank Agent or any Bank hereunder.

(ii) The Agent shall promptly notify the Bank Agent of the occurrence of any Event of Default.

(g) AGREEMENT BY THE GUARANTOR. The Guarantor agrees that it will not make, nor permit any of its Subsidiaries to make, any payment of any of the Subordinated Debt, or take any other action, in contravention of the provisions of this Section.

(h) WAIVER. The Lenders and other holders of the Subordinated Debt, the Agent and the Guarantor 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 Bank Agent or any Bank protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right or take any action against the Guarantor or any other person or entity or any collateral.

(i) NO WAIVER; REMEDIES. No failure on the part of the Bank Agent or any Bank 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 hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

(j) Certain Terms. For purposes of this Guaranty, the following terms shall have the following meanings:

"SUBORDINATED DEBT" means all Obligations of the Guarantor now or hereafter existing under this Guaranty (whether created directly or acquired by assignment or otherwise) consisting of principal, interest (including, without limitation, interest accruing after the filing of a petition initiating any proceeding referred to in Section 8.02(a) of the Short Term Loan Agreement, whether or not such interest accrues after the filing of such petition for purposes of the Federal Bankruptcy Code or is an allowed claim in such proceeding) or fees, including, without limitation, the fees referred to in Section 2.02(b) or 2.07(c) of the Short Term Loan Agreement.

"SENIOR INDEBTEDNESS" means, as to the Guarantor, (i) all Obligations of the Guarantor now or hereafter existing under the Master Guaranty Agreement (as defined in the Bank Credit Agreement) (whether created directly or acquired by assignment or otherwise) consisting of principal, interest (including, without limitation, interest accruing after the filing of a petition initiating any proceeding referred to in Section 8.02(a) of the Short Term Loan Agreement, whether or not such interest accrues after the filing of such petition for purposes of the Federal Bankruptcy Code or is an allowed claim in such proceeding) or fees and (ii) the obligations of the Guarantor in a principal amount not to exceed \$35,000,000 under the Note Purchase Agreement dated as of August 1, 1987 among the Borrower, the Guarantor and the Purchasers named therein.

SECTION 8. UNDERTAKING. In consideration of the Agent and Lenders entering into the Credit Agreement, the Guarantor hereby agrees with the Agent and the Lenders as follows:

(a) The Guarantor will use its best efforts to cause Registration Statement No. 333-2545 relating to 4,025,000 shares of the Guarantor's Common Stock (the "Offering") filed on April 16, 1996 with the Securities and Exchange Commission (the "Registration Statement") to become effective under the Securities Act of 1933, as amended (the "Securities Act") prior to June 30, 1996. In connection with the Offering the Guarantor hereby agrees to perform its undertakings set forth in Section (b)(ii), (iii), (iv), (vii), (viii), (ix), (x) and (xi) to the same extent as required in the case of a Refinancing.

(b) In the event the Registration Statement does not so become effective by the date specified in Section 1 above, the Guarantor will use its best efforts to

effectuate an offering and sale of equity securities of the Guarantor to Persons other than the Borrower or any of its Subsidiaries, or to effectuate such other financing transactions, in each case reasonably acceptable in form and substance to MLPF&S, in an amount to be agreed upon between the Guarantor and MLCC (a "Refinancing") (which amount, in the event any unpaid amounts are outstanding under the Credit Agreement, shall be sufficient to provide the Borrower Net Proceeds sufficient to refinance the principal amount of the Loan and pay interest accrued thereon and all fees, expenses, commissions and other amounts payable by the Borrower and the Subsidiary Guarantors under the Credit Agreement, the Short Term Notes and the Subsidiary Guaranties (the "Subject Documents")), including, but not limited to:

(i) preparing as soon as possible, but in no event later than July 31, 1996, an offering memorandum or a registration statement under the Securities Act for a private offering or an underwritten primary public offering, as the case may be, of the Guarantor's securities and containing such disclosure as may be appropriate and customary for such documents and using its best efforts to cause any such registration statement to become effective under the Securities Act or consummating such Refinancing prior to September 30, 1996;

(ii) cooperating fully with MLPF&S and providing all information reasonably requested by MLPF&S in connection with any Refinancing, including, without limitation, providing all information reasonably requested by MLPF&S to effect the sale or placement of any securities to be offered;

(iii) in the event any securities are offered publicly, executing underwriting agreements to reflect the terms of the Refinancing, and containing such covenants, representations and warranties, indemnities as shall be mutually acceptable to the Guarantor and MLPF&S in their reasonable judgment and delivering such legal opinions, officers' certificates and accountants' comfort letters as may be required by, and in form and substance satisfactory to, MLPF&S in its reasonable judgment;

(iv) in connection with any public offering or private placement of securities, offering such securities on terms, including but not limited to, interest and/or dividend rates, maturities, preferences, covenants and redemption dates and prices, as may be mutually acceptable to the Guarantor MLPF&S in their reasonable judgment in light of prevailing circumstances and current market conditions and the Guarantor's financial condition and prospects;

(v) in the event any securities are sold in a private placement, causing the securities held by the purchasers (including MLCC and MLPF&S) in such a private placement to be registered pursuant to such number of registration statements over such period of time as MLPF&S

and the Guarantor may mutually agree in their reasonable judgment prior to such private placement;

(vi) paying all reasonable costs and expenses of engaging a qualified independent underwriter in connection with any public offering and, to the extent necessary, a private placement of securities;

(vii) in the event any securities are offered publicly or sold in a private placement, upon a request made by MLPF&S in its sole discretion, making available for sale, and selling with any such sale of securities, warrants to purchase capital stock, the terms of which will be determined by MLPF&S in its reasonable judgment in light of prevailing circumstances and current market conditions and the Guarantor's financial condition and prospects;

(viii) assisting MLPF&S in connection with the marketing of any securities to be offered publicly or placed privately;

(ix) providing such other cooperation and assistance as is customarily provided by issuers in connection with the private placement and/or public sale of securities;

(x) cooperating fully with MLPF&S, and providing all information reasonably requested by MLPF&S, in connection with other financing transactions comprising part of a Refinancing on terms which will be mutually acceptable to the Guarantor and MLPF&S in their reasonable judgment in light of prevailing circumstances and current market conditions and the Guarantor's financial condition and prospects;

(xi) engaging MLPF&S as an underwriter or placement agent for any offering or placement of securities in connection with the Offering or any Refinancing, such engagement to be on terms mutually acceptable to the Guarantor and MLPF&S; and

(xii) in the event of any such other financing transaction, executing such documentation as may be necessary, and containing such covenants, representations, warranties and indemnities as shall be mutually acceptable to the Guarantor and MLPF&S in their reasonable judgment and delivering such legal opinions, officers' certificates and accountants' comfort letters as may be required by, and in form and substance satisfactory to, MLPF&S in its reasonable judgment.

SECTION 9. AMENDMENTS, ETC. No amendment or waiver of any provision of this Guaranty and no consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Agent and the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED, HOWEVER, that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders, (a) release or limit the liability of the Guarantor hereunder, (b) postpone any date fixed for payment hereunder or (c) change the number of Lenders required to take any action hereunder.

SECTION 10. NOTICES, ETC. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopy or telex communication) and mailed, telegraphed, telecopied, telexed or delivered to it, if to the Guarantor, addressed to it at the address 300 Phillipi Road, P.O. Box 28512, Columbus, Ohio 43228-0512, Attention: James A. McGrady, Telecopier No. (614) 464-6666; with a copy to Benesch, Friedlander, Coplan & Aronoff P.L.L., 2300 B.P. America Building, 200 Public Square, Cleveland, Ohio 44114-2378, Attention: Michael Wager, Telecopier No. (216) 363-4588, if to the Agent or any Lender, at its address specified in the Short Term Loan Agreement, or as to any party at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when mailed, telegraphed, telecopied or telexed, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier or confirmed by telex answerback, respectively.

SECTION 11. NO WAIVER; REMEDIES. No failure on the part of the Agent or any Lender 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 hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 12. RIGHT OF SET-OFF. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 of the Short Term Loan Agreement to authorize the Agent to declare the Notes due and payable pursuant to the provisions of said Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Guarantor against any and all of the Obligations of the Guarantor now or hereafter existing under this Guaranty, whether or not such Lender shall have made any demand under this Guaranty and although such Obligations may be unmatured. Each Lender agrees promptly to notify the Guarantor after any such set-off and application; PROVIDED, HOWEVER, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section 11 are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 13. INDEMNIFICATION. Without limitation on any other Obligations of the Guarantor or remedies of the Agent and the Lenders under this Guaranty, the Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless the Agent and each Lender from and against, and shall pay on demand, any and all losses, liabilities, damages, costs, expenses and charges (including the fees and disbursements of such the Agent's and the each Lender's legal counsel) suffered or incurred by such Agent or such Lender, as the case may be, as a result of any failure of any Guaranteed Obligations to be the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms.

SECTION 14. CONTINUING GUARANTY; ASSIGNMENTS UNDER THE SHORT TERM LOAN AGREEMENT. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty and the Termination Date, (b) be binding upon the Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Agent and the Lenders and their successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Short Term Loan Agreement (including, without limitation, all or any portion of its Commitment and the Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Party herein or otherwise, in each case as and to the extent provided in Section 9.08 of the Short Term Loan Agreement.

SECTION 15. GOVERNING LAW; JURISDICTION; WAIVER OF JURY TRIAL, ETC. (a)
This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Guaranty or any of the other Loan Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and the Guarantor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guaranty shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Guaranty or any of the other Loan Documents to which it is or is to be a party in the courts of any jurisdiction.

(c) The Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guaranty or any of the other Loan Documents to which it is or is to be a party in any New York State or federal court. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) The Guarantor hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Loan Documents, the transactions contemplated thereby or the actions of the Agent or any other Lender in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

CONSOLIDATED STORES CORPORATION

By _____
Title:

EXHIBIT 10(c)(ii)

SUBSIDIARY GUARANTY

Dated as of May 3, 1996

From

THE GUARANTORS NAMED HEREIN

as Guarantors

in favor of

THE LENDERS PARTY TO THE SHORT TERM LOAN AGREEMENT
REFERRED TO HEREIN,

and

MERRILL LYNCH CAPITAL CORPORATION,

as Agent

EXHIBIT 10(c)(ii)

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SUBSIDIARY GUARANTY

GUARANTY dated May 3, 1996 made by the Persons listed on Schedule I hereto (each, a "GUARANTOR"), in favor of the banks, financial institutions and other institutional lenders (the "LENDERS") party to the Short Term Loan Agreement (as defined below), and MERRILL LYNCH CAPITAL CORPORATION, a Delaware corporation ("MLCC") as agent (the "AGENT") for the Lenders.

PRELIMINARY STATEMENT. The Lenders and the Agent are parties to a Short Term Loan Agreement dated as of May 3, 1996 (said Agreement, as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "SHORT TERM LOAN AGREEMENT"; the terms defined therein and not otherwise defined herein being used herein as therein defined) with Consolidated Stores Corporation, an Ohio corporation (the "BORROWER"). Each Guarantor is a Subsidiary of the Borrower and may receive a portion of the proceeds of the Advances under the Short Term Loan Agreement and will derive substantial direct and indirect benefit from the transactions contemplated by the Short Term Loan Agreement. It is a condition precedent to the making of Advances by the Lenders under the Short Term Loan Agreement that each Guarantor shall have executed and delivered this Guaranty.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Advances to the Borrower under the Short Term Loan Agreement, each Guarantor hereby agrees as follows:

SECTION 1. GUARANTY; LIMITATION OF LIABILITY. (a) Each Guarantor hereby unconditionally and irrevocably guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all Obligations of each other Loan Party now or hereafter existing under the Loan Documents, whether for principal, interest, fees, expenses or otherwise (such Obligations being the "GUARANTEED OBLIGATIONS"), and agrees to pay any and all expenses (including counsel fees and expenses) incurred by the Agent or any Lender in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, each Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any other Loan Party to the Agent or any other Party under the Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such Loan Party.

(b) The liability of each Guarantor under this Guaranty shall not exceed the greater of (i) the net benefit realized by such Guarantor from the proceeds of the Term Advances made from time to time by the Borrower to such Guarantor or any Subsidiary of such Guarantor and (ii) the greater of (A) 95% of the Adjusted Net Assets of such Guarantor on the date of delivery hereof and (B) 95% of the Adjusted Net Assets of such Guarantor on the date of any payment hereunder. "ADJUSTED NET ASSETS" of any Guarantor at any date means the lesser of (x) the amount by which the fair value of the property of such Guarantor exceeds the total amount of liabilities, including,

without limitation, contingent liabilities, but excluding liabilities under this Guaranty, of such Guarantor at such date and (y) the amount by which the present fair salable value of the assets of such Guarantor at such date exceeds the amount that will be required to pay the probable liability of such Guarantor on its debts, excluding debt in respect of this Guaranty, as they become absolute and matured.

SECTION 2. GUARANTY ABSOLUTE. Each Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent or the Lenders with respect thereto. The Obligations of each Guarantor under this Guaranty are independent of the Guaranteed Obligations or any other Obligations of any other Loan Party under the Loan Documents, and a separate action or actions may be brought and prosecuted against each Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Borrower or any other Loan Party or whether the Borrower or any other Loan Party is joined in any such action or actions. The liability of each Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and each Guarantor hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of any Loan Document or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other Obligations of any other Loan Party under the Loan Documents, or any other amendment or waiver of or any consent to departure from any Loan Document, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to the Borrower or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of any collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any collateral for all or any of the Guaranteed Obligations or any other Obligations of any other Loan Party under the Loan Documents or any other assets of the Borrower or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of the Borrower or any of its Subsidiaries;

(f) any failure of the Agent or any Lender to disclose to the Borrower or any Guarantor any information relating to the financial condition, operations,

properties or prospects of any other Loan Party now or in the future known to the Agent or such Lender (each Guarantor waiving any duty on the part of the Parties to disclose such information); or

(g) any other circumstance (including, without limitation, any statute of limitations or any existence of or reliance on any representation by the Agent or any Lender that might otherwise constitute a defense available to, or a discharge of, the Borrower or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Agent or any Lender or by any other Person upon the insolvency, bankruptcy or reorganization of the Borrower or any other Loan Party or otherwise, all as though such payment had not been made.

SECTION 3. WAIVERS. (a) Each Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that the Agent or any Lender protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against the Borrower or any other Person or any collateral.

(b) Each Guarantor hereby waives any right to revoke this Guaranty, and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) Each Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and that the waivers set forth in this Section 3 are knowingly made in contemplation of such benefits.

SECTION 4. SUBROGATION. No Guarantor will exercise any rights that it may now or hereafter acquire against the Borrower or any other insider guarantor that arise from the existence, payment, performance or enforcement of such Guarantor's Obligations under this Guaranty or any other Loan Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or any Lender against the Borrower or any other insider guarantor or any Collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Borrower or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, until all of the Obligations and all other amounts payable under this Guaranty shall have been paid in full and the Commitments shall have expired or terminated. If any amount shall be paid to any Guarantor in violation of the preceding sentence at any time prior to the later of the cash payment in full of the Guaranteed Obligations and all other amounts

payable under this Guaranty and the Termination Date, such amount shall be held in trust for the benefit of the Agent and the Lenders and shall forthwith be paid to the Agent to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Loan Documents, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising. If (i) such Guarantor shall make payment to the Agent or any Lender of all or any part of the Guaranteed Obligations, (ii) all the Guaranteed Obligations and all other amounts payable under this Guaranty shall be paid in full and (iii) the Termination Date shall have occurred, the Agent and the Lenders will, at such Guarantor's request and expense, execute and deliver to such Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Guaranteed Obligations resulting from such payment by such Guarantor.

SECTION 5. PAYMENTS FREE AND CLEAR OF TAXES, ETC. (a) Any and all payments made by any Guarantor hereunder shall be made, in accordance with Section 2.08 of the Short Term Loan Agreement, free and clear of and without deduction for any and all present or future Taxes. If any Guarantor shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Agent or any Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 5) the Agent or such Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Guarantor shall make such deductions and (iii) such Guarantor shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Guarantor agrees to pay any present or future Other Taxes.

(c) Each Guarantor will indemnify the Agent and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any taxes imposed by any jurisdiction on amounts payable under this Section 5) imposed on or paid by the Agent or such Lender (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date the Agent or such Lender (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes by or on behalf of any Guarantor, such Guarantor will furnish to the Agent, at its address referred to in Section 9.02 of the Short Term Loan Agreement, the original or a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder by or on behalf of any Guarantor through an account or branch outside the United States or by or on behalf of such Guarantor by a payor that is not a United States person, if such

Guarantor determines that no Taxes are payable in respect thereof, such Guarantor shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "UNITED STATES" and "UNITED STATES PERSON" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Upon the reasonable request in writing of any Guarantor, each Lender organized under the laws of a jurisdiction outside the United States shall, on or prior to the date of its execution and delivery of the Short Term Loan Agreement in the case of each Initial Lender, and on the date of the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender, and from time to time thereafter upon the reasonable request in writing by such Guarantor (but only so long thereafter as such Lender remains lawfully able to do so), provide each of the Agent and such Guarantor with two original Internal Revenue Service forms 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or is entitled to a reduced rate of United States withholding tax on payments under the Short Term Loan Agreement or the Notes. If the forms provided by a Lender at the time such Lender first becomes a party to the Short Term Loan Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; PROVIDED, HOWEVER, that, if at the date of the Assignment and Acceptance pursuant to which a Lender assignee becomes a party to the Short Term Loan Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender Party assignee on such date. If any form or document referred to in this subsection (e) and requested by any Guarantor pursuant to this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form 1001 or 4224, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to such Guarantor and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed to provide any Guarantor following such Guarantor's request therefor pursuant to subsection (e) above with the appropriate form described in subsection (e) (OTHER THAN if such failure is due to a change in law occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (e)), such Lender shall not be entitled to indemnification under subsection (a) or (c) with respect to Taxes imposed by the United States by reason of such failure; PROVIDED, HOWEVER, that

should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, such Guarantor shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(g) Without prejudice to the survival of any other agreement of any Loan Party hereunder or under any other Loan Document, the agreements and obligations of each Guarantor contained in this Section 5 shall survive the payment in full of the Guaranteed Obligations and all other amounts payable under this Guaranty.

SECTION 6. REPRESENTATIONS AND WARRANTIES. Each Guarantor hereby represents and warrants as follows:

(a) Such Guarantor is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted. Such Guarantor and each of its Subsidiaries listed on Schedule 4.01(j) of the Short Term Loan Agreement is duly qualified or licensed to do business as a foreign corporation in good standing in all jurisdictions in which it owns or leases property or proposes to own or lease property or in which the conduct of its business requires it to so qualify or be licensed, except for such jurisdictions where the failure to so qualify or be licensed would not have a Material Adverse Effect. All of the outstanding capital stock of such Guarantor and each of its Subsidiaries has been validly issued, is fully paid and non-assessable and is owned by the Borrower, another Loan Party or a Subsidiary of a Loan Party.

(b) Such Guarantor has full corporate power and authority to enter into, deliver and perform its obligations under each Loan Document and each Material Contract to which it is or will be a party and to consummate each of the transactions contemplated by each such Loan Document and Material Contract and has taken all necessary corporate action to authorize the execution, delivery and performance by it of each Loan Document and each Material Contract to which it is or will be a party; and each Loan Document to which it is a party constitutes, and each Material Contract to which it is or will be a party when delivered pursuant to the Short Term Loan Agreement will constitute, the legal, valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect affecting the enforcement of creditors' rights generally.

(c) Neither the execution and delivery of any Loan Document or any Material Contract to which such Guarantor is or is to be a party nor the performance by such Guarantor of its obligations thereunder, nor the consummation of the transactions contemplated thereby including, without limitation, the Acquisition will (i) conflict with the charter or by-laws of such Guarantor or (ii) conflict

with or result in a breach of, or constitute a default under, or result in the creation or imposition of any Lien upon any of the property or assets of such Guarantor or any Subsidiary of such Guarantor, as the case may be, under, (A) any applicable laws (including, without limitation, Regulation X issued by the Board of Governors of the Federal Reserve System), (B) any loan agreement, indenture or similar instrument or agreement, or (C) any material mortgage, deed of trust or other similar instrument or agreement, in each case, to which such Guarantor or any Subsidiary of such Guarantor, as the case may be, may be or become a party or by which it may be or become bound or to which any of the property or assets of such Guarantor or any Subsidiary of such Guarantor, as the case may be, may be subject.

(d) No consent, approval, exemption, order or authorization of, or a registration or filing with, any Official Body or any other Person is required by any law, constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree or award of any Official Body or any agreement in connection with the execution, delivery and carrying out of the Short Term Loan Agreement, the other Loan Documents or the Material Contracts by any Loan Party, except as listed on Schedule 4.01(d) to the Short Term Loan Agreement, all of which shall have been obtained or made on or prior to the Closing Date.

(e) There are no actions, suits, proceedings or investigations pending or, to the knowledge of such Guarantor, threatened against such Guarantor or any Subsidiary of such Guarantor at law or equity before any Official Body which individually or in the aggregate (A) would restrain, prohibit or impose adverse conditions on the ability of the Lenders to make the Loan, (B) could be reasonably expected to have a Material Adverse Effect, (C) would impair the ability of MLPF&S to sell debt or equity securities as contemplated by Section 8 of the Parent Guaranty or (D) could purport to affect the legality, validity or enforceability of this Guaranty, any other Loan Document or the consummation of the transactions contemplated thereby, including, without limitation, the Acquisition and the Offering, and, in each case there is a reasonable probability that such action, suit, investigation, litigation or proceeding would be successful on the merits.

(f) No event has occurred and is continuing and no condition exists now or will exist after the execution of the Loan Documents or Material Contracts which constitutes a Default. Neither such Guarantor nor any of its Subsidiaries is in violation of (i) any term of its certificate of incorporation, by-laws, or other organizational documents, or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties may be subject or bound where such violation would reasonably be expected to have a Material Adverse Effect.

(g) There are no conditions precedent to the effectiveness of this Guaranty that have not been satisfied or waived.

(h) Each Guarantor has, independently and without reliance upon the Agent or any Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty, and such Guarantor has established adequate means of obtaining from any other Loan Parties on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the financial condition, operations, properties and prospects of such other Loan Parties.

(i) The breach of any of the foregoing representations and warranties with respect to a Subsidiary of each Guarantor other than the Borrower or a Material Subsidiary shall not be deemed to breach such representation or warranty unless such breach has a Material Adverse Effect.

SECTION 7. TERMS OF SUBORDINATION. (a) SUBORDINATED DEBT SUBORDINATE TO SENIOR INDEBTEDNESS. Each Guarantor agrees, and each Lender and holder of any Note, by its acceptance thereof, also agrees, that the Subordinated Debt (as defined below) of such Guarantor is and shall be subordinate, to the extent and in the manner hereinafter set forth, to the prior payment in full in cash of all Senior Indebtedness (as defined below) of such Guarantor.

(b) EVENTS OF SUBORDINATION. (i) In the event of any dissolution, winding up, liquidation, arrangement, reorganization, adjustment, protection, relief or composition of any Guarantor or its debts, whether voluntary or involuntary, in any bankruptcy, insolvency, arrangement, reorganization, receivership, relief or other similar case or proceeding under any Federal or State bankruptcy or similar law or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of such Guarantor or otherwise, Senior Indebtedness of such Guarantor shall first be paid in full before the Lenders or other holders of any Subordinated Debt of such Guarantor shall be entitled to receive any payment of all or any of the Subordinated Debt of such Guarantor, and any payment that otherwise would be payable upon or with respect to the Subordinated Debt of such Guarantor in any such case, proceeding, assignment, marshalling or otherwise (including any payment that may be payable by reason of any other indebtedness of such Guarantor being subordinated to payment of the Subordinated Debt of such Guarantor) shall be paid or delivered directly to the Bank Agent for the account of the Banks for application to the payment of the Senior Indebtedness of such Guarantor until the Senior Indebtedness of such Guarantor shall have been paid in full.

(ii) In the event that any Bank Event of Default described in Section 8.1.1 of the Bank Credit Agreement shall have occurred and be continuing with respect to any Guarantor, then no payment (including any payment that may be payable by reason of any other indebtedness of such Guarantor being subordinated to payment of the Subordinated Debt of such Guarantor) shall be made by or on behalf of such Guarantor for or on account of any Subordinated

Debt of such Guarantor, and neither the Agent nor any Lender or other holder of any Subordinated Debt of such Guarantor shall take or receive from such Guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, including, without limitation, from or by way of collateral, payment of all or any of the Subordinated Debt of such Guarantor.

(iii) In the event that any Bank Event of Default (other than a Bank Event of Default described in Section 8.1.1 of the Bank Credit Agreement) shall have occurred and be continuing with respect to any Guarantor and the Bank Agent gives written notice thereof to the Agent, then no payment (including any payment that may be payable by reason of any other indebtedness of such Guarantor being subordinated to payment of the Subordinated Debt of such Guarantor) shall be made by or on behalf of such Guarantor for or on account of any Subordinated Debt of such Guarantor, and neither the Agent nor any Lender or other holder of any Subordinated Debt of such Guarantor shall take or receive from such Guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, including, without limitation, from or by way of collateral, payment of all or any of the Subordinated Debt of such Guarantor, during a period (the "PAYMENT BLOCKAGE PERIOD") commencing on the date of receipt of such notice and ending on the earlier of (i) the date such Bank Event of Default shall have been cured or waived in writing and (ii) the date 179 days from the date of receipt of such notice. Any number of such notices may be given by the Agent with respect to any Guarantor; PROVIDED, HOWEVER, that during any 360-day period the aggregate number of days during which a Payment Blockage Period shall be in effect with respect to any Guarantor shall not exceed 179 days and there shall be a period of at least 181 consecutive days in each 360-day period when no Payment Blockage Period is in effect with respect to such Guarantor.

(c) IN FURTHERANCE OF SUBORDINATION. (i) Each Lender or other holder of any Notes by its acceptance thereof authorizes and directs the Agent on its behalf to take such action as may be necessary or appropriate to effectuate, as between the Bank Agent and the Banks and the Lenders and other holders of Subordinated Debt, the subordination as provided in this Section 7 and appoints the Agent his attorney-in-fact for any and all such purposes.

(ii) If any proceeding referred to in Section 7(b)(i) above is commenced by or against any Guarantor, the Lenders and other holders of the Subordinated Debt of such Guarantor and the Agent shall duly and promptly take such action as the Bank Agent may reasonably request (A) to collect the Subordinated Debt of such Guarantor and to file appropriate claims or proofs of claim in respect of the Subordinated Debt of such Guarantor and (B) to collect and receive any and all payments which may be payable upon or with respect to the Subordinated Debt of such Guarantor.

(iii) All payments upon or with respect to the Subordinated Debt which are received by the Agent or any Lender or other holder of any Subordinated Debt contrary to the provisions of this Section shall be received in trust for the benefit of the Banks, shall be segregated from other funds and property held by the Agent or such Lender or other holder of Subordinated Debt and shall be forthwith paid over to the Bank Agent for the account of the Banks in the same form as so received (with any necessary indorsement) to be applied to the payment or prepayment of the Senior Indebtedness in accordance with the terms of the Bank Credit Agreement.

(iv) The Bank Agent is hereby authorized to demand specific performance of the provisions of this Section, whether or not any Guarantor shall have complied with any of the provisions hereof applicable to it, at any time when any Lender or other holder of Subordinated Debt or the Agent shall have failed to comply with any of the provisions of this Section applicable to it. The Lenders and other holders of the Subordinated Debt and the Agent 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.

(d) RIGHTS OF SUBROGATION. No payment or distribution to the Bank Agent or the Banks pursuant to the provisions of this Section shall entitle any Lender or other holder of Subordinated Debt to exercise any right of subrogation in respect thereof until the Senior Indebtedness shall have been paid in full.

(e) FURTHER ASSURANCES. The Lenders and other holders of the Subordinated Debt, the Agent and the Borrower each will, at each Guarantor'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 be necessary or desirable, or that the Bank Agent may reasonably request, in order to protect any right or interest granted or purported to be granted hereby or to enable the Bank Agent or any Bank to exercise and enforce its rights and remedies hereunder.

(f) AGREEMENTS IN RESPECT OF SUBORDINATED DEBT. (i) No amendment, waiver or other modification of this Guaranty may adversely affect the rights or interests of the Bank Agent or any Bank hereunder.

(ii) The Agent shall promptly notify the Bank Agent of the occurrence of any Event of Default.

(g) AGREEMENT BY EACH GUARANTOR. Each Guarantor agrees that it will not make, nor permit any of its Subsidiaries to make, any payment of any of the Subordinated Debt of such Guarantor, or take any other action, in contravention of the provisions of this Section.

(h) WAIVER. The Lenders and other holders of the Subordinated Debt, the Agent and each Guarantor 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 Bank Agent or any Bank protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right or take any action against any Guarantor or any other person or entity or any collateral.

(i) NO WAIVER; REMEDIES. No failure on the part of the Bank Agent or any Bank 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 hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

(j) CERTAIN TERMS. For purposes of this Guaranty, the following terms shall have the following meanings:

"SUBORDINATED DEBT" means, with respect to any Guarantor, all Obligations of such Guarantor now or hereafter existing under this Guaranty (whether created directly or acquired by assignment or otherwise) consisting of principal, interest (including, without limitation, interest accruing after the filing of a petition initiating any proceeding referred to in Section 8.02(a) of the Short Term Loan Agreement, whether or not such interest accrues after the filing of such petition for purposes of the Federal Bankruptcy Code or is an allowed claim in such proceeding) or fees, including, without limitation, the fees referred to in Section 2.02(b) or 2.07(c) of the Short Term Loan Agreement.

"SENIOR INDEBTEDNESS" means, as to each Guarantor, all Obligations of such Guarantor now or hereafter existing under the Master Guaranty Agreement (as defined in the Bank Credit Agreement) (whether created directly or acquired by assignment or otherwise) consisting of principal, interest (including, without limitation, interest accruing after the filing of a petition initiating any proceeding referred to in Section 8.02(a) of the Short Term Loan Agreement, whether or not such interest accrues after the filing of such petition for purposes of the Federal Bankruptcy Code or is an allowed claim in such proceeding) or fees.

SECTION 8. AMENDMENTS, ETC. No amendment or waiver of any provision of this Guaranty and no consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Agent and the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED, HOWEVER, that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders, (a) release or limit the liability of such Guarantor hereunder, (b) postpone any date fixed for payment hereunder or (c) change the number of Lenders required to take any action hereunder.

SECTION 9. NOTICES, ETC. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopy or telex communication) and mailed, telegraphed, telecopied, telexed or delivered to it, if to any Guarantor, addressed to it c/o Consolidated Stores Corporation, at 300 Phillipi Road, P.O. Box 28512, Columbus, Ohio 43228-0512, Attention: James A. McGrady, Telecopier No. (614) 464-6666; with a copy to Benesch, Friedlander, Coplan & Aronoff P.L.L., 2300 B.P. America Building, 200 Public Square, Cleveland, Ohio 44114-2378, Attention: Michael Wager, Telecopier No. (216) 363-4588, if to the Agent or any Lender, at its address specified in the Short Term Loan Agreement, or as to any party at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when mailed, telegraphed, telecopied or telexed, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier or confirmed by telex answerback, respectively.

SECTION 10. NO WAIVER; REMEDIES. No failure on the part of the Agent or any Lender 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 hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 11. RIGHT OF SET-OFF. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 of the Short Term Loan Agreement to authorize the Agent to declare the Notes due and payable pursuant to the provisions of said Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of any Guarantor against any and all of the Obligations of such Guarantor now or hereafter existing under this Guaranty, whether or not such Lender shall have made any demand under this Guaranty and although such Obligations may be unmatured. Each Lender agrees promptly to notify such Guarantor after any such set-off and application; PROVIDED, HOWEVER, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its

Affiliates under this Section 11 are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 12. INDEMNIFICATION. Without limitation on any other Obligations of any Guarantor or remedies of the Agent and the Lenders under this Guaranty, each Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless the Agent and each Lender from and against, and shall pay on demand, any and all losses, liabilities, damages, costs, expenses and charges (including the fees and disbursements of such the Agent's and the each Lender's legal counsel) suffered or incurred by such Agent or such Lender, as the case may be, as a result of any failure of any Guaranteed Obligations to be the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms.

SECTION 13. CONTINUING GUARANTY; ASSIGNMENTS UNDER THE SHORT TERM LOAN AGREEMENT. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty and the Termination Date, (b) be binding upon each Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Agent and the Lenders and their successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Short Term Loan Agreement (including, without limitation, all or any portion of its Commitment and the Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Party herein or otherwise, in each case as and to the extent provided in Section 9.08 of the Short Term Loan Agreement.

SECTION 14. GOVERNING LAW; JURISDICTION; WAIVER OF JURY TRIAL, ETC. (a) This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) Each Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Guaranty or any of the other Loan Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and each Guarantor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guaranty shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Guaranty or any of the other Loan Documents to which it is or is to be a party in the courts of any jurisdiction.

(c) Each Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guaranty or any of the other Loan Documents to which it is or is to be a party in any New York State or federal court. Each Guarantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each Guarantor hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Loan Documents, the transactions contemplated thereby or the actions of the Agent or any other Lender in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

GUARANTORS LISTED ON SCHEDULE I

By _____
Name:
Title: