

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended February 2, 2002

Commission file number 1-8897

BIG LOTS, INC.

(Exact name of registrant as specified in its charter)

An Ohio Corporation
IRS No. 06-1119097
300 Phillipi Road
P.O. Box 28512
Columbus, Ohio 43228-0512
(614) 278-6800

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

Title of each class	Name of each Exchange on which registered
Common Shares \$.01 par value	New York Stock Exchange

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

Indicate if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in a definitive proxy or information statement incorporated by reference in Part III of this FORM 10-K or any amendment to this FORM 10-K [X]

The aggregate market value (based on the closing price on the New York Stock Exchange) of the Common Shares of the Registrant held by non-affiliates of the Registrant was \$1,737,757,942 on April 24, 2002. For purposes of this response, executive officers and directors are deemed to be the affiliates of the Registrant and the holdings by non-affiliates were computed as 1,744,900 shares.

The number of shares Common Shares \$.01 par value per share, outstanding as of April 24, 2002 was 115,948,447.

Documents Incorporated by Reference

Portions of the Registrant's definitive Proxy Statement to security holders for its Annual Meeting of Shareholders to be held on May 21, 2002, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Item 1 Business

THE COMPANY

On May 15, 2001, Consolidated Stores Corporation, a Delaware corporation (“Consolidated (Delaware)”), was merged (the “Merger”) with and into Big Lots, Inc., an Ohio corporation and a wholly-owned subsidiary of Consolidated (Delaware). Big Lots, Inc. was formed as a vehicle to effect the change of the state of incorporation of Consolidated (Delaware) from Delaware to Ohio through the Merger. The Merger was approved by the stockholders of Consolidated (Delaware) at the Annual Meeting of Stockholders held on May 15, 2001.

Each share of common stock, par value \$0.01 per share, of Consolidated (Delaware) was converted into one common share, par value \$0.01 per share of Big Lots, Inc. Common Shares automatically as a result of the Merger. By virtue of the Merger, Big Lots, Inc. has succeeded to all the business, properties, assets and liabilities of Consolidated (Delaware). Pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended, the Big Lots, Inc. Common Shares are deemed to be registered under the Exchange Act.

Big Lots, Inc. was incorporated in Ohio in 2001. Its principal executive offices are located at 300 Phillipi Road, Columbus, Ohio 43228, and its telephone number is (614) 278-6800. All references herein to the “Company” are to Big Lots, Inc. and its subsidiaries.

The Company is the nation’s largest broadline closeout retailer. The Company’s goal is to build upon its leadership position in closeout retailing, a growing segment of the retailing industry, by expanding its market presence in both existing and new markets.

At February 2, 2002, the Company operated a total of 1,335 stores operating as BIG LOTS, BIG LOTS FURNITURE, PIC ‘N’ SAVE, and MAC FRUGAL’S BARGAINS•CLOSEOUTS. Wholesale operations are conducted through BIG LOTS WHOLESALE, CONSOLIDATED INTERNATIONAL, WISCONSIN TOY, and with online shopping at biglotswholesale.com.

CLOSEOUT RETAILING

Closeout retailers provide a service to manufacturers by purchasing excess product that generally results from production overruns, package changes, discontinued products, and returns. Closeout retailers also take advantage of generally low prices in the off-season by buying and warehousing seasonal and general merchandise for future sales. As a result of these lower costs of goods, closeout retailers can offer merchandise at prices lower to significantly lower than those offered by traditional retailers.

The Company believes that recent trends in the retail industry are favorable to closeout retailers. These trends include consolidations within the retail industry as well as just-in-time inventory processes, which management believes resulted in a shift of inventory risk from retailers to manufacturers. In addition, to maintain their market share in an increasingly competitive environment, management believes that manufacturers are introducing new products and new packaging on a more frequent basis. The Company believes that these trends have helped make closeout retailers an integral part of manufacturers’ overall planning and distribution processes. As a result, management believes that manufacturers are increasingly looking for larger, more sophisticated closeout retailers, such as the Company, that can purchase larger quantities of merchandise and can control the distribution and advertising of specific products.

Item 1 Business (Continued)

RETAIL OPERATIONS

The Company's stores are known for their wide assortment of closeout merchandise. Certain core categories of merchandise are carried on a continual basis, although the specific brand-names offered may change frequently. The Company's stores also offer a small but consistent line of basic items, strengthening their role as dependable, one-stop shops for everyday needs. In addition the stores feature seasonal items for every major holiday. To provide additional value to its customers, the Company also offers private-label merchandise in selected product categories.

A large number of stores operate profitably in relative close proximity. For example, 516 of the total 1,335 stores operate in four states: California, Ohio, Texas and Florida. Management believes that there are substantial opportunities to increase store counts in existing markets as well as expanding into new markets.

WHOLESALE OPERATIONS

The Company also sells wholesale merchandise comprised predominately of merchandise obtained through the same or shared opportunistic purchases of the retail operations. Advertising of wholesale merchandise is conducted primarily at trade shows and by mailings to past and potential customers. Wholesale customers include a wide and varied range of major national and regional retailers, as well as smaller retailers, manufacturers, distributors, and wholesalers.

PURCHASING

An integral part of the Company's business is the sourcing and purchasing of quality brand-name merchandise directly from manufacturers and other vendors typically at prices substantially below those paid by conventional retailers. The Company believes that it has built strong relationships with many brand-name manufacturers and has capitalized on its purchasing power in the closeout marketplace to source merchandise that provides exceptional value to customers. The Company has the ability to source and purchase substantially all of a manufacturer's closeout merchandise in specific product categories and to control distribution in accordance with vendor instructions, thus providing a high level of service and convenience to these manufacturers. The Company supplements its traditional brand-name closeout purchases with a limited amount of program buys and private-label merchandise. The Company expects its purchasing power will continue to enhance its ability to source quality closeout merchandise for all of its stores at competitive prices.

The Company has a seasoned buying team with extensive closeout purchasing experience, which the Company believes has enabled it to develop successful long-term relationships with many of the largest and most recognized consumer-product manufacturers in the United States. As a result of these relationships and the Company's experience and reputation in the closeout industry, many manufacturers offer purchase opportunities to the Company prior to attempting to dispose of their merchandise through other channels.

The Company's merchandise is purchased from domestic and foreign suppliers that provide the Company with multiple sources for each product category. In fiscal 2001, the Company's top ten vendors accounted for 15.8% of total purchases with no one vendor accounting for more than 4.5%.

The Company purchases approximately 30% to 35% of its products directly from overseas suppliers, and a material amount of its domestically purchased merchandise is also manufactured abroad. As a result, a significant portion of the Company's merchandise supply is subject to certain risks including increased import duties and more restrictive

Item 1 Business (Continued)

PURCHASING (Concluded)

quotas, loss of “most favored nation” trading status, currency fluctuations, work stoppages, transportation delays, economic uncertainties including inflation, foreign government regulations, political unrest, and trade restrictions, including retaliation by the United States against foreign practices. While the Company believes that alternative domestic and foreign sources could supply merchandise to the Company, an interruption or delay in supply from the Company’s foreign sources, or the imposition of additional duties, taxes or other charges on these imports, could have a material adverse effect on the Company’s results of operations and financial condition.

COMPETITIVE CONDITIONS

All aspects of the retailing industry are highly competitive. The Company competes with discount stores (such as Wal-Mart®, KMart® and Target®), dollar stores, deep discount drugstore chains, and other value-oriented specialty retailers. Certain of the Company’s competitors have greater financial, distribution, marketing and other resources than the Company.

The Company relies on buying opportunities from both existing and new sources, for which it competes with other closeout merchandisers and wholesalers. The Company believes that its management has long-standing relationships with its suppliers and is competitively positioned to continue to seek new sources in order to maintain an adequate continuing supply of quality merchandise at attractive prices.

SEASONALITY

The Company has historically experienced, and expects to continue to experience, seasonal fluctuations, with a significant percentage of its net sales and operating profit being realized in the fourth fiscal quarter. In addition, the Company’s quarterly results can be affected by the timing of store openings and closings, the amount of net sales contributed by new and existing stores and the timing of certain holidays. Furthermore, in anticipation of increased sales activity during the fourth fiscal quarter, the Company purchases substantial amounts of inventory during the second and third fiscal quarters and hires a significant number of temporary employees to bolster its stores staffing during the fourth fiscal quarter.

The seasonality of the Company’s business also influences the Company’s demand for seasonal borrowings. The Company traditionally has drawn upon its seasonal credit lines in the first three fiscal quarters and has substantially repaid the borrowings during the fourth fiscal quarter.

ADVERTISING AND PROMOTION

The Company uses a variety of marketing approaches to promote its stores to the public. These approaches vary by business, by market and by the time of year. The Company promotes grand openings of its stores through a variety of print and radio promotions. In general, the Company utilizes only those marketing methods that it believes provide an immediate and measurable return on investment.

The Company utilizes trademarks, service marks, and other intangible assets in its retail operations. This intellectual property is generally owned by intellectual property protection subsidiaries of the Company. The Company considers its intellectual property to be among its most valuable assets and where applicable, has registered, or has applications pending, with the United States Patent and Trademark Office. The Company believes that having distinctive intellectual property is an important factor in identifying the Company and distinguishing it from others.

Item 1 Business (Continued)

ADVERTISING AND PROMOTION (Concluded)

The Company's marketing program is designed to create an awareness of the broad range of quality, brand-name merchandise available at closeout prices, which provide customers unique value. The marketing program utilizes a combination of printed advertising circulars in all markets and television advertising in select markets. The company currently distributes approximately 46 million two or four page circulars 26 weeks out of the year in all markets. The method of distribution includes a combination of newspaper inserts and direct mail. These circulars are created by the Company and are distributed regionally in order to take advantage of market differences caused by climate or other factors. The circulars generally feature 35 to 42 products that vary each week. The Company runs television promotions in certain markets based upon factors unique to each market, including the number of stores, the cost of local media, and the results of preliminary testing. Multiple 30-second television spots are run per week, each of which feature two to four highly recognizable, brand-name products. In-store promotions include periodic loudspeaker announcements featuring special bargains as well as in-store signage to emphasize the significant values offered to the customer.

The advertising media mix changed in 2001, as part of the Company's strategy to increase its customer base, by increasing television advertising while decreasing the number of circulars. This change raised the Company's total television coverage from 30% of sales to 52% of sales. In 2002, the Company will continue to increase television advertising by reaching into the Western and Southwestern markets. The Company continues to refine the use of television advertising to increase awareness of the stores, strengthen its brand image, and attract new and repeat customers.

On May 16, 2001, the Company announced that it had changed its name to Big Lots, Inc., and its ticker symbol to NYSE: BLI. The name change was approved at the Annual Shareholders' Meeting on May 15, 2001. In connection with this change, all stores under the names of Odd Lots, Mac Frugal's, and Pic 'N' Save are being converted to Big Lots over a two-year period. Through February 2, 2002, 205 stores had been successfully converted to the Big Lots name. As of the end of fiscal 2001, 1,167 of the Company's 1,335 stores were under the Big Lots name. The Company expects that the remaining stores will be converted to the Big Lots name during 2002. In connection with this process, the Company has made certain improvements to the converted sites. The improvements made vary by location and include, among other things, painting, lighting retrofits, new signage (interior and exterior), new flooring, and updated restrooms. The Company believes that Big Lots is its most recognizable brand name and that this change offers numerous opportunities to increase brand awareness among customers, suppliers, investors and the general public. The Company believes the change will also allow it to leverage future television advertising and other expenses.

Historically, total advertising expense as a percent of total net sales has been approximately 2.5% to 3.0%.

WAREHOUSING AND DISTRIBUTION

An important aspect of the Company's purchasing strategy involves its ability to warehouse and distribute merchandise quickly and efficiently. The Company positions its distribution network to enable quick turn of time sensitive product as well as providing longer term warehousing capabilities for off-season buys. Substantially all merchandise sold by the Company is received and processed for retail sale, as necessary, and distributed to the retail location from Company operated warehouse and distribution centers. Data pertaining to warehouse and distribution centers is described under Item 2 Properties, Warehouse and Distribution.

Item 1 Business (Concluded)**ASSOCIATES**

At February 2, 2002, the Company had 40,899 active associates comprised of 16,966 full-time and 23,933 part-time associates. Temporary associates hired during the fall and winter holiday selling season increased the number of associates to a peak of 46,246. Approximately sixty percent of the associates employed throughout the year are employed on a part-time basis. The relationship with associates is considered to be good, and the Company is not a party to any labor agreements.

Item 2 Properties**RETAIL OPERATIONS**

The Company's stores are located predominantly in strip shopping centers throughout the United States. Individual stores range in size from 5,073 to 65,018 square feet and average approximately 27,000 square feet. In selecting suitable new store locations, the Company generally seeks retail space between 25,000 to 35,000 square feet in size. The average cost to open a new store in a leased facility is approximately \$650,000, including inventory.

With the exception of 53 owned store sites, all stores are in leased facilities. Store leases generally provide for fixed monthly rental payments plus the payment, in most cases, of real estate taxes, utilities, insurance, and common area maintenance. In some locations, the leases provide formulas requiring the payment of a percentage of sales as additional rent. Such payments are generally only required when sales reach a specified level. The typical lease is for an initial term of five years with multiple, three to five year renewal options. The following tables set forth store location information and store, office, and warehouse lease expirations, exclusive of month-to-month leases, as of February 2, 2002.

Number of Stores Open

Alabama	34	Montana	1
Arizona	24	Nebraska	4
Arkansas	9	Nevada	9
California	183	New Hampshire	6
Colorado	15	New Jersey	5
Connecticut	5	New Mexico	10
Delaware	2	New York	36
Florida	104	North Carolina	51
Georgia	62	North Dakota	2
Idaho	4	Ohio	129
Illinois	39	Oklahoma	16
Indiana	52	Oregon	9
Iowa	8	Pennsylvania	47
Kansas	11	South Carolina	26
Kentucky	43	Tennessee	46
Louisiana	24	Texas	100
Maine	2	Utah	9
Maryland	10	Virginia	38
Massachusetts	11	Washington	15
Michigan	47	West Virginia	25
Minnesota	6	Wisconsin	14
Mississippi	14	Wyoming	2
Missouri	26		
		Total stores	1,335
		Number of states	45

Item 2 Properties (Concluded)

RETAIL OPERATIONS (Concluded)

Fiscal year	Number of Leases Expiring
2002	27
2003	190
2004	227
2005	205
2006	219
Subsequent to 2006	412
	1,280

WAREHOUSE AND DISTRIBUTION

At February 2, 2002 the Company operated warehouse and distribution locations strategically placed across the United States totaling 8,694,000 square feet. The Company's primary warehouse and distribution centers are owned and located in Ohio, Alabama, California and Pennsylvania. The facilities utilize advanced warehouse management technology, which enable high accuracy and efficient product processing from vendors to the retail stores. The approximate combined weekly output of the Company's facilities is approximately 2.0 million cartons per week. Statistics for warehouse and distribution centers are presented below:

State	Number		Square Footage (in thousands)	
	Owned	Leased	Owned	Leased
Alabama	1		1,432	
California	1	1	1,423	271
Ohio	2	2	3,565	731
Pennsylvania	1		1,272	
	5	3	7,692	1,002
Total owned and leased	5	3	7,692	1,002
		8		8,694

On August 23, 2001, the Company announced its decision to build a 1.2 million square foot distribution center in Durant, Oklahoma, which is expected to open in early 2004. The decision for the Durant site was based on the Company's strategic plan for the existing store base and future growth.

As necessary, the Company leases additional temporary warehouse space throughout the year to support its warehousing requirements.

Item 3 Legal Proceedings

The Company and certain subsidiaries are named as defendants in various legal proceedings and claims, including various employment related matters, which are incidental to their ordinary course of business. Management believes they have meritorious defenses and will aggressively defend the Company in these actions. No liabilities have been recorded relating to these matters because the obligations are not viewed as probable.

Item 4 Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

OFFICERS OF THE COMPANY

Name	Age	Offices Held	Officer Since
Michael J. Potter	40	Chairman, Chief Executive Officer and President	1991
Albert J. Bell	42	Vice Chairman and Chief Administrative Officer	1988
Kent Larsson	58	Executive Vice President, Merchandising and Sales Promotion	1998
Donald A. Mierzwa	51	Executive Vice President, Store Operations	1998
Brad A. Waite	44	Executive Vice President, Human Resources and Loss Prevention	1998
Jeffrey G. Naylor	43	Senior Vice President and Chief Financial Officer	2001
Joe R. Cooper	44	Vice President Treasurer	2000
Anita C. Elliott	37	Vice President Controller	2001
Charles W. Haubiel II	36	Vice President, General Counsel and Secretary	1999

Michael J. Potter was promoted to Chief Executive Officer and President in June 2000. Mr. Potter was appointed Chairman of the Board of Directors in August 2000. Mr. Potter joined the Company in 1991 as Vice President and Controller and was later promoted to Senior Vice President and Chief Financial Officer. In 1998, he was promoted to Executive Vice President and assumed additional responsibilities for Distribution and Information Services.

Albert J. Bell oversees finance, human resources, loss prevention, real estate, legal, risk management, and information systems. Mr. Bell was appointed Vice Chairman of the Board of Directors and promoted to Chief Administrative Officer in June 2000. Mr. Bell joined the Company in 1987 as General Counsel and held various senior management positions in the legal and real estate areas of the Company including Senior Vice President and Executive Vice President prior to his promotion in 2000 to his current position of Chief Administrative Officer.

Kent Larsson is responsible for buying, merchandise planning, allocation and presentation of merchandise, and sales promotion. Mr. Larsson joined the Company in 1988 as Vice President of Sales Promotion and was promoted to Executive Vice President of Merchandising and Sales Promotion in 1998.

Donald A. Mierzwa oversees the Company's store standards, customer service, personnel development and program implementation and execution. Mr. Mierzwa has been with the Company since 1989 and has served as Executive Vice President of Store Operations since 1999.

Brad A. Waite is responsible for human resources, loss prevention, risk management, and administrative services. Mr. Waite joined the Company in 1988 as Director of Employee Relations and held various Human Resource management and senior management positions prior to his promotion to his current position in July 2000.

Item 4 Submission of Matters to a Vote of Security Holders (Concluded)

OFFICERS OF THE COMPANY (Concluded)

Jeffrey G. Naylor is responsible for the Company's finance functions. He oversees treasury, tax, and investor relations, as well as the reporting, planning, and control functions of the business. Mr. Naylor joined the Company in September 2001 as Senior Vice President and Chief Financial Officer. Prior to joining Big Lots, Mr. Naylor was Senior Vice President, Chief Financial and Administrative Officer of Dade Behring. Mr. Naylor has significant retail experience, having held senior financial management positions with The Limited, Inc. and Sears Roebuck and Co.

Joe R. Cooper is responsible for the Company's strategic planning, investor relations, and treasury functions. He joined the Company as Vice President of Strategic Planning and Investor Relations in May 2000. In July 2000, he also assumed responsibility for the treasury department and was appointed Vice President Treasurer. Prior to joining the Company, Mr. Cooper held various financial and accounting positions with Bath & Body Works, KinderCare Learning Center, The Limited, Inc., and KPMG Peat Marwick.

Anita C. Elliott is responsible for internal and external reporting, payroll, and expense controls of the business. She joined the Company as Vice President Controller in May 2001. Prior to joining the Company, Ms. Elliott served as Controller for Jitney-Jungle Stores of America, Inc. She also practiced public accounting for twelve years, a portion of which was with Ernst & Young LLP.

Charles W. Haubiel II is responsible for the Company's legal affairs. He was promoted to Vice President, General Counsel and Secretary in July 2000. He joined the Company in 1997 as Senior Staff Counsel and was promoted to Director, Corporate Counsel and Assistant Secretary in 1999. Prior to joining the Company, Mr. Haubiel practiced law with the law firm of Vorys, Sater, Seymour and Pease LLP.

PART II

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

The Company's common shares are listed on the New York Stock Exchange (NYSE) under the symbol "BLI." The following table reflects the high and low sales price per share of common shares as quoted from the NYSE composite transactions for the fiscal period indicated.

	2001		2000	
	High	Low	High	Low
First Quarter	\$15.75	\$ 9.75	\$15.38	\$11.06
Second Quarter	14.00	11.23	15.00	10.81
Third Quarter	12.84	7.15	15.88	11.44
Fourth Quarter	11.27	7.75	13.50	8.25

As of March 25, 2002, there were 1,382 registered holders of record of the Company's common shares.

The Company has followed a policy of reinvesting earnings in the business and consequently has not paid any cash dividends. At the present time, no change in this policy is under consideration by the Board of Directors. The payment of cash dividends in the future will be determined by the Board of Directors in consideration of business conditions then existing, including the Company's earnings, financial requirements and condition, opportunities for reinvesting earnings, and other factors.

Item 6 Selected Financial Data

The statement of operations data and the balance sheet data have been derived from the Company's Consolidated Financial Statements and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto included elsewhere herein.

	Fiscal Year Ended (a)				
	Feb. 2, 2002	Feb. 3, 2001(b)	Jan. 29, 2000	Jan. 30, 1999	Jan. 31, 1998
<i>(In thousands)</i>					
Net sales	\$3,433,321	\$3,277,088	\$2,933,690	\$2,550,668	\$2,492,839
Cost of sales	2,092,183	1,891,345	1,668,623	1,474,767	1,502,211
Gross profit	1,341,138	1,385,743	1,265,067	1,075,901	990,628
Selling and administrative expenses	1,368,397	1,200,277	1,095,453	918,699	858,775
Merger and other related costs					45,000
Operating profit (loss)	(27,259)	185,466	169,614	157,202	86,853
Interest expense	20,202	22,947	16,447	15,795	16,699
Income (loss) from continuing operations before income taxes and cumulative effect of accounting change	(47,461)	162,519	153,167	141,407	70,154
Income tax expense (benefit)	(18,747)	64,195	60,501	55,144	32,983
Income (loss) from continuing operations before cumulative effect of accounting change	(28,714)	98,324	92,666	86,263	37,171
Discontinued operations	8,480	(478,976)	3,444	23,155	48,764
Cumulative effect of accounting change				(12,649)	
Net income (loss)	<u>\$ (20,234)</u>	<u>\$ (380,652)</u>	<u>\$ 96,110</u>	<u>\$ 96,769</u>	<u>\$ 85,935</u>

(a) References throughout this document to fiscal 2001, fiscal 2000, and fiscal 1999 refer to the fiscal years ended February 2, 2002, February 3, 2001, and January 29, 2000, respectively.

(b) Fiscal 2000 is comprised of 53 weeks.

Item 6 Selected Financial Data (Concluded)

Fiscal Year Ended (a)

	Feb. 2, 2002	Feb. 3, 2001(b)	Jan. 29, 2000	Jan. 30, 1999	Jan. 31, 1998
<i>(In thousands, except per share amounts and store counts)</i>					
Income (loss) per common share-basic:					
Continuing operations	\$ (0.25)	\$ 0.88	\$ 0.84	\$ 0.79	\$ 0.35
Discontinued operations	0.07	(4.30)	0.03	0.21	0.45
Cumulative effect of accounting change				(0.11)	
	<u>\$ (0.18)</u>	<u>\$ (3.42)</u>	<u>\$ 0.87</u>	<u>\$ 0.89</u>	<u>\$ 0.80</u>
Income (loss) per common share-diluted:					
Continuing operations	\$ (0.25)	\$ 0.87	\$ 0.82	\$ 0.76	\$ 0.33
Discontinued operations	0.07	(4.26)	0.03	0.21	0.44
Cumulative effect of accounting change				(0.11)	
	<u>\$ (0.18)</u>	<u>\$ (3.39)</u>	<u>\$ 0.85</u>	<u>\$ 0.86</u>	<u>\$ 0.77</u>
Weighted-average common shares outstanding:					
Basic	113,660	111,432	110,360	109,199	107,621
Diluted	113,660	112,414	112,952	112,800	112,063
Balance Sheet Data:					
Total assets	\$1,533,209	\$1,585,396	\$1,911,298	\$1,884,300	\$1,595,394
Working capital	672,200	775,573	521,350	584,436	351,627
Long-term obligations	204,000	268,000	50,000	285,000	104,310
Shareholders' equity	\$ 927,533	\$ 927,812	\$1,300,062	\$1,181,902	\$1,034,542
Store Data:					
Gross square footage	35,528	33,595	31,896	29,015	26,623
New stores opened	78	83	124	137	118
Stores closed	33	23	22	34	26
Stores open at end of year	1,335	1,290	1,230	1,128	1,025

(a) *References throughout this document to fiscal 2001, fiscal 2000, and fiscal 1999 refer to the fiscal years ended February 2, 2002, February 3, 2001, and January 29, 2000, respectively.*

(b) *Fiscal 2000 is comprised of 53 weeks.*

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

CAUTIONARY STATEMENT FOR PURPOSES OF "SAFE HARBOR" PROVISIONS OF THE SECURITIES LITIGATION REFORM ACT OF 1995

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. The Company wishes to take advantage of the "safe harbor" provisions of the Act.

This report, as well as other verbal or written statements or reports made by or on the behalf of the Company, may contain or may incorporate material by reference which includes forward-looking statements within the meaning of the Act. Statements, other than those based on historical facts, which address activities, events, or developments that the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), business strategy, expansion and growth of the Company's business and operations, and other similar matters are forward-looking statements, which are based upon a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions within the bounds of its knowledge of its business, actual events and results may materially differ from anticipated results described in such statement.

The Company's ability to achieve such results is subject to certain risks and uncertainties, any one, or a combination, of which could materially affect the results of the Company's operations. These factors include: sourcing and purchasing merchandise, the cost of the merchandise, economic and weather conditions which affect buying patterns of the Company's customers, changes in consumer spending and consumer debt levels, inflation, the Company's ability to anticipate buying patterns and implement appropriate inventory strategies, continued availability of capital and financing, competitive pressures and pricing pressures, and other risks described from time to time in the Company's filings with the Securities and Exchange Commission. Consequently, all of the forward-looking statements are qualified by these cautionary statements, and there can be no assurance that the results or developments anticipated by the Company will be realized or that they will have the expected effects on the Company or its business or operations.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date thereof. The Company undertakes no obligation to publicly release any revisions to the forward-looking statements contained in this report, or to update them to reflect events or circumstances occurring after the date of this report, or to reflect the occurrence of unanticipated events.

OVERVIEW

The discussion and analysis presented below should be read in conjunction with the Consolidated Financial Statements and related Notes appearing elsewhere in this report.

Business Operations

The Company is the nation's largest broadline closeout retailer. The Company's goal is to build upon its leadership position in closeout retailing, a growing segment of the retailing industry, by expanding its market presence in both existing and new markets. The Company believes that the combination of its strengths in merchandising, purchasing, site selection, distribution, and cost containment has made it a low-cost value retailer well-positioned for future growth.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

At February 2, 2002, the Company operated a total of 1,335 stores operating as BIG LOTS, BIG LOTS FURNITURE, PIC 'N' SAVE, and MAC FRUGAL'S BARGAINS•CLOSEOUTS. Wholesale operations are conducted through BIG LOTS WHOLESALE, CONSOLIDATED INTERNATIONAL, WISCONSIN TOY, and with online shopping at biglotswholesale.com.

The following table compares components of the statements of operations of the Company as a percentage of net sales. Results for 2001 include the impact of a \$50.4 million (after-tax) non-cash charge described elsewhere herein.

	Fiscal Year		
	2001	2000	1999
Net sales	100.0%	100.0%	100.0%
Gross profit	39.1	42.3	43.1
Selling and administrative expenses	39.9	36.6	37.3
Operating profit (loss)	(0.8)	5.7	5.8
Interest expense	0.6	0.7	0.6
Income (loss) from continuing operations before income taxes	(1.4)	5.0	5.2
Income tax expense (benefit)	(0.6)	2.0	2.0
Income (loss) from continuing operations	(0.8)	3.0	3.2
Discontinued operations	0.2	(14.6)	0.1
Net income (loss)	(0.6)%	(11.6)%	3.3%

The Company has historically experienced, and expects to continue to experience, seasonal fluctuations, with a significant percentage of its net sales and operating profit being realized in the fourth fiscal quarter. In addition, the Company's quarterly results can be affected by the timing of store openings and closings, the amount of net sales contributed by new and existing stores, and the timing of certain holidays.

Name Change and Reincorporation

On May 16, 2001, the Company announced that it had changed its name to Big Lots, Inc. and its ticker symbol to NYSE: BLI. The name change was approved at the Annual Shareholders' Meeting on May 15, 2001. Also approved was a proposal to change the state of the Company's incorporation from Delaware to Ohio. This change was affected by merging Consolidated Stores Corporation, a Delaware corporation ("Consolidated (Delaware)"), with and into the Company (the "Merger"). At the effective time of the Merger, the separate corporate existence of Consolidated (Delaware) ceased, and the Company succeeded to all business, properties, assets, and liabilities of Consolidated (Delaware). The shares of common stock of Consolidated (Delaware) issued and outstanding immediately prior to the effective time of the Merger were, by virtue of the Merger, converted into an equal number of shares of fully paid and non-assessable common shares of the Company.

In connection with this change, all stores under the names of Odd Lots, Mac Frugal's, and Pic 'N' Save are being converted to Big Lots over a two-year period. Through February 2, 2002, 205 stores had been successfully converted to the Big Lots name. As of the end of fiscal 2001, 1,167 of the Company's 1,335 stores were under the Big Lots name. The Company expects that the remaining stores will be converted to the Big Lots name during 2002. In connection with this process, the Company has made certain improvements to the converted sites. The improvements made vary by location and include, among other things, painting, lighting retrofits, new signage (interior and exterior), new flooring, and updated restrooms. The Company believes that Big Lots is its most recognizable brand name and that this change offers numerous opportunities to increase brand awareness among

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

customers, suppliers, investors, and the general public. The Company believes the change will also allow it to leverage future television advertising and other expenses.

On August 22, 2001, the Company announced that its Board of Directors had unanimously voted to redeem the preferred stock rights issued under the Company's Rights Agreement, sometimes referred to as a "poison pill." The redemption was a direct result of the Company's redomestication into Ohio, as approved by its shareholders at the Company's 2001 Annual Meeting. At the 2000 Annual Meeting, a non-binding shareholder proposal passed seeking the termination of the Company's Rights Agreement. The Board believes that the statutory protections offered by the Company's new state of incorporation provide adequate safeguards to permit the Board and the Company's shareholders to fully and fairly evaluate any takeover offer, whether coercive or not. Accordingly, the Board found it to be in the best interest of the Company and its shareholders to redeem the preferred stock rights issued under the Rights Agreement.

Sale of Division

On June 27, 2000, the Company announced its decision to separate the toy and closeout businesses by divesting the Company's KB Toy Division. The financial statements and notes have been reclassified for all applicable periods presented to reflect the toy segment as a discontinued operation.

On December 7, 2000, the Company closed the sale of its KB Toy Division to an affiliate of Bain Capital, Inc. In connection with the sale, the Company recorded an after-tax loss of \$479.0 million consisting of a \$48.2 million after-tax loss from operations and a \$430.8 million after-tax loss on the disposal of the KB Toy Division.

The buyer purchased the business in conjunction with KB Toy's management, who were retained to lead the KB Toy business. Gross proceeds totaled approximately \$305 million, consisting primarily of \$258 million in cash, a note with a face amount of \$45 million, and a warrant to acquire common stock of the buyer's parent. The note receivable matures on December 7, 2010 and bears interest at a rate of 8 percent. The interest is payable in annual installments to be paid by issuing additional notes with substantially identical terms as the original note. The warrant provides that the Company is entitled to purchase up to 2.5 percent of the common stock of the buyer's parent for a stated per share price. The stock can be purchased any time prior to December 7, 2005. The note and warrant are being accounted for on the cost basis. Proceeds from the sale were used primarily to pay down existing borrowings under the Company's Prior Revolver (defined elsewhere herein).

The Company has, as part of the sale agreement, retained the responsibility for certain KB insurance claims incurred through the date of closing of the sale (December 7, 2000). During the fourth quarter of 2001, the Company determined that the estimate for the related insurance reserves exceeded the expected liability. Accordingly, a portion of the insurance reserves established in connection with the sale of the KB Toy Division were adjusted and recorded as income from discontinued operations on the Company's statement of operations. This adjustment resulted in \$8.5 million of after-tax income from discontinued operations in the fourth quarter of 2001.

Non-Cash 2001 Fourth Quarter Charge

In the fourth quarter of fiscal 2001, the Company recorded a non-cash charge of \$50.4 million (after-tax), or \$0.44 per diluted share. The charge represented a) costs to modify the Company's product assortment and exit certain merchandise categories (\$6.1 million after-tax), b) adjustments to the estimated capitalized freight costs related to inbound imported inventories in response to better systems and information (\$15.0 million after-tax), c) adjustments to inventory-related costs that were identified as a result of the completion of a significant multi-year conversion to a detailed stock keeping unit-level* inventory management system (\$16.7 million after-tax),

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

and d) changes in estimates and estimating methodology related to insurance reserves (\$12.6 million after-tax). These charges are included in the Company's 2001 fourth quarter financial statements.

A critical element of the Company's overall business strategy has been a multi-year initiative to improve its information systems, the final phase of which was completed in fiscal 2001. The new systems have given the Company the ability to track and manage inventories at the SKU level with improved visibility and data. The new systems have also provided better information on inventory balances, and have given management the capability to assess profitability and financial returns down to the SKU level.

Based on an analysis of SKU-level information, the Company decided to modify its product assortment and exit certain categories of merchandise. This decision allowed the Company to expand its consumables and home décor categories, both of which management believes have superior financial returns. The markdowns associated with these discontinued products, all of which were taken during the fourth quarter of fiscal 2001, accounted for approximately \$6.1 million (after-tax) of the charge described above. The Company believes this action will result in a more productive assortment and a greater emphasis on the every day consumable items that help drive repeat store traffic.

The second component of the charge related to the estimated capitalized import freight costs, which are incurred in connection with inbound inventories sourced from outside the United States. New information systems have improved the Company's ability to manage merchandise flow and freight costs. These improved systems have also provided better information and tools for determining the proper amount of capitalized import freight costs to be recorded on the balance sheet. Accordingly, based on this new information, the Company has revised its estimates and methodology, resulting in a \$15.0 million (after-tax) charge.

The third component of the charge pertained to inventory-related costs that had not been allocated to the cost of merchandise in the Company's detailed inventory stock ledger and, accordingly, were not being fully allocated to cost of goods sold. The Company identified this issue in the fourth quarter of 2001 as a result of the conversion to the new SKU-based systems, resulting in a \$16.7 million (after-tax) charge.

The fourth and final component of the charge related to insurance reserves. At the end of fiscal 2001, the Company analyzed its insurance reserve accounts and implemented a new methodology that provided better actuarial estimates of future claims. This new methodology, combined with an upward trend in 2001 claims, resulted in a \$12.6 million (after-tax) charge to increase the Company's insurance reserves. This charge consisted of two elements. The first related to the adjustment of reserves established in connection with the sale of the KB Toy Division, which resulted in \$8.5 million (after-tax) income from discontinued operations. The second element of the charge was \$21.1 million (after-tax) to increase reserves related to continuing operations.

** Hereinafter the term stock keeping unit is referred to as "SKU."*

FISCAL 2001 COMPARED TO FISCAL 2000

Net Sales

Net sales increased to \$3,433.3 million for the fifty-two week fiscal year 2001 from \$3,277.1 million for the fifty-three week fiscal 2000, an increase of \$156.2 million, or 4.8%. This increase was attributable to sales from 78 new stores, offset in part by the closing of 33 stores, and a comparable store sales increase of 2.0%. Customer transactions increased 0.3% and the value of the average basket increased 1.7%. Comparable store sales growth

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

was driven primarily by sales of consumables, home décor, and furniture along with incremental volume from conversion stores.

Gross Profit

Gross profit decreased \$44.6 million, or 3.2% in fiscal 2001 to \$1,341.1 million from \$1,385.7 million in fiscal 2000. Gross profit as a percentage of net sales was 39.1% in fiscal 2001 compared to 42.3% in the previous year. The decline in gross profit was primarily due to a non-cash fourth quarter charge of \$37.8 million after-tax (\$62.4 million before tax). This charge represented the cost to modify the Company's product assortment and exit certain categories, adjustments to the estimated capitalized import freight balances, and inventory-related costs that were identified as a result of the completion of a significant multi-year conversion to a detailed SKU-level inventory management system. The remaining decline in gross profit percentage was primarily due to aggressive markdowns and promotions taken to sell through seasonal merchandise and apparel. The decline was also impacted by a shift in product mix as customers increased purchases of lower margin consumable goods and reduced spending on more discretionary, higher margin items.

Selling and Administrative Expenses

Selling and administrative expenses increased \$168.1 million in fiscal 2001 from \$1,200.3 million in fiscal 2000. As a percentage of net sales, selling and administrative expenses were 39.9% in fiscal 2001 compared to 36.6% in fiscal 2000. The major cause of the increase was due to a \$21.1 million after-tax (\$34.9 million before tax) non-cash fourth quarter charge resulting from a change in estimate relating to insurance reserves, combined with an upward trend in 2001 claims. The remaining selling and administrative rate increase was primarily driven by the deleveraging impact of lower comparable store sales combined with planned strategic initiatives, including increased advertising, store maintenance, and customer service investments.

Interest Expense

Interest expense decreased to \$20.2 million in fiscal 2001 from \$22.9 million in fiscal 2000. The decrease in interest expense reflects favorable effective interest rates and a lower average debt balance.

Income Taxes

The effective tax rate of the Company was 39.5% in both fiscal 2001 and 2000.

FISCAL 2000 COMPARED TO FISCAL 1999

Net Sales

Net sales increased to \$3,277.1 million for the fifty-three week fiscal year 2000 from \$2,933.7 million for the fifty-two week fiscal 1999, an increase of \$343.4 million, or 11.7%. This increase was attributable to sales from 83 new stores, offset in part by the closing of 23 stores, and a comparable store sales increase of 3.7% that was driven primarily by sales of seasonal goods and furniture. Customer transactions decreased 2.1% while the value of the average basket increased 5.8%.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Gross Profit

Gross profit increased \$120.6 million, or 9.5%, in fiscal 2000 to \$1,385.7 million from \$1,265.1 million in fiscal 1999. Gross profit as a percentage of net sales was 42.3% in 2000 compared to 43.1% in the previous year. The decline in gross profit percentage was primarily due to increased markdowns taken in the fourth quarter to drive customer traffic during the holiday season and sell through seasonal merchandise, as well as a shift in the level of consumable merchandise available throughout the year.

Selling and Administrative Expenses

Selling and administrative expenses increased \$104.8 million in fiscal 2000 from \$1,095.5 million in fiscal 1999. As a percentage of net sales, selling and administrative expenses were 36.6% in fiscal 2000 compared to 37.3% in 1999. Fiscal 2000 selling and administrative rate improvement was primarily attributable to more effective leveraging of fixed expenses in the first two quarters of the year combined with more efficient distribution and transportation throughout the year. Additionally, the Company benefited from the fifty-third week of sales in fiscal 2000 as its relatively fixed expense base could be leveraged with the extra week of sales.

Interest Expense

Interest expense increased to \$22.9 million in fiscal 2000 from \$16.4 million in fiscal 1999. The change in interest expense reflects higher average borrowing levels and higher effective interest rates.

Income Taxes

The effective tax rate of the Company was 39.5% in both fiscal 2000 and 1999.

CAPITAL RESOURCES AND LIQUIDITY

On May 8, 2001, the Company entered into a \$512.5 million senior unsecured revolving credit agreement ("Revolving Credit Agreement") with a group of financial institutions, which consists of a \$358.75 million three-year revolving credit facility and a \$153.75 million 364-day facility, renewable annually. The Revolving Credit Agreement replaced the Company's \$500 million senior unsecured Revolving Credit Facility ("Prior Revolver") that was due to expire on May 6, 2002. The average interest rate under the Revolving Credit Agreement during fiscal 2001 was 5.41 percent.

Also on May 8, 2001, the Company completed a \$204 million private placement of unsecured senior notes ("Senior Notes") with maturities ranging from four to six years. The Senior Notes were issued with a weighted-average yield of 7.71 percent and rank parri passu with the Company's Revolving Credit Agreement. Proceeds from the issue were used to pay down the Prior Revolver.

Both the Revolving Credit and Senior Note Agreements contain customary affirmative and negative covenants including financial covenants requiring the Company to maintain specified fixed charge coverage and leverage ratios as well as a minimum level of net worth.

On October 30, 2001, the financial covenants of the Revolving Credit Agreement were amended to provide the Company with increased operating flexibility. On February 25, 2002, both the Revolving Credit Agreement and Senior Note Agreement were amended to exclude the non-cash 2001 fourth quarter charge, described elsewhere herein, from the fixed charge coverage and leverage ratio financial covenant calculations. As part of the

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

amendments, the Company provided collateral, consisting principally of its inventories, as security for both the Revolving Credit and Senior Note Agreements, and agreed to certain changes in other terms.

The second amendment to the Revolving Credit Agreement imposed certain limitations on the extent to which the Company may borrow under the Revolving Credit Agreement. The Company's borrowing base will fluctuate monthly based on the value of the Company's inventory, as determined in accordance with the Revolving Credit Agreement. The Company believes that the value of its inventory, while it will vary seasonally, is sufficient to provide it with the liquidity to meet its borrowing needs.

The primary sources of liquidity for the Company have been cash flow from operations, proceeds from the Senior Notes, and as necessary, borrowings under the Revolving Credit Agreement. Working capital at February 2, 2002, was \$672.2 million and for the year then ended net cash provided by operations was \$150.9 million. The Company had no direct borrowings under the Revolving Credit Agreement at February 2, 2002. At such date, the Company was contingently liable for outstanding letters of credit totaling \$32.8 million, and had \$17.5 million of invested funds.

Capital expenditures were \$107.6 million in fiscal 2001, \$114.8 million in fiscal 2000, and \$83.1 million in fiscal 1999. Capital expenditures in 2001 were primarily driven by investments in strategic initiatives in conjunction with the Company's strategic repositioning, as well as new store openings and the completion of a new distribution center in Tremont, Pennsylvania. Capital expenditures in 1999 and 2000 were primarily driven by new store openings and additional distribution center capacity. Capital expenditure requirements in 2002 are anticipated to be approximately \$100 million, primarily to convert remaining stores to the Big Lots name, invest in new stores and store expansions, as well as the continued construction of a new distribution facility in Durant, Oklahoma.

The Company is subject to market risk from exposure to changes in interest rates based on its financing, investing, and cash management activities. The Company does not expect changes in interest rates in 2002 to have a material effect on income or cash flows; however, there can be no assurances that interest rates will not materially change.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

As disclosed in the Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgement.

The Company's accounting policies are more fully described in the Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements. The Company has certain accounting policies which are described below.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Merchandise inventory. Merchandise inventory is carried at the lower of cost or market on a first-in, first-out basis, primarily on the retail method. Certain assumptions are made to assess that inventory is recorded properly at the lower of cost or market, based on historical experience and current information.

Long-lived assets. The Company has long-lived assets which consist primarily of property and equipment. The Company estimates useful lives on buildings and equipment using assumptions based on historical data and industry trends. In evaluating the fair value and future benefits of long-lived assets, the anticipated undiscounted future net cash flow of the related long-lived assets is calculated and compared to the carrying value on the Company's books. Management believes that the long-lived assets' carrying values and useful lives are appropriate.

Insurance reserves. The Company is self-insured for certain losses relating to general liability, workers' compensation, and employee medical benefit claims. The Company has purchased stop-loss coverage in order to limit its exposure to significant claims. Accrued insurance liabilities are based on claims filed and estimates of claims incurred but not reported.

Income taxes. The Company has generated deferred tax assets or liabilities due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has established a valuation allowance to reduce its deferred tax assets to the balance that is more likely than not to be realized. The Company records income tax liabilities utilizing known obligations and estimates of potential obligations.

Pension liabilities. Pension and other retirement benefits, including all relevant assumptions required by accounting principles generally accepted in the United States of America, are evaluated each year. Due to the technical nature of retirement accounting, outside actuaries are used to provide assistance in calculating the estimated future obligations. Since there are many estimates and assumptions involved in retirement benefits, differences between actual future events and prior estimates and assumptions could result in adjustments to pension expenses and obligations.

Legal obligations. In the normal course of business, the Company must make continuing estimates of potential future legal obligations and liabilities, which requires the use of management's judgement on the outcome of various issues. Management may also use outside legal advice to assist in the estimating process, however, the ultimate outcome of various legal issues could be different than management's estimates, and adjustments to income could be required.

The above listing is not intended to be a comprehensive list of all the Company's accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States of America, with no need for management's judgement in their application. There are also areas in which management's judgement in selecting any available alternative would not produce a materially different result. See the Company's audited Consolidated Financial Statements and Notes thereto which contain accounting policies and other disclosures required by accounting principles generally accepted in the United States of America.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations (Concluded)

RECENT ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements are discussed in the Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

COMMITMENTS

Commitments are discussed in the Long-Term Obligations, the Commitments and Contingencies, and the Leases Notes to the Consolidated Financial Statements.

Item 8 Financial Statements and Supplementary Data

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Big Lots, Inc.:

We have audited the accompanying consolidated balance sheets of BIG LOTS, INC. and subsidiaries as of February 2, 2002 and February 3, 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three fiscal years in the period ended February 2, 2002. Our audits also included the financial statement schedule listed in the Index at Item 14(a)2. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of BIG LOTS, INC. and subsidiaries at February 2, 2002 and February 3, 2001, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended February 2, 2002, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

Deloitte & Touche LLP
Dayton, Ohio
February 26, 2002

[Table of Contents](#)**BIG LOTS, INC. AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Fiscal Year		
	2001	2000	1999
Net sales	\$3,433,321	\$3,277,088	\$2,933,690
Costs and expenses:			
Cost of sales	2,092,183	1,891,345	1,668,623
Selling and administrative expenses	1,368,397	1,200,277	1,095,453
Interest expense	20,202	22,947	16,447
	<u>3,480,782</u>	<u>3,114,569</u>	<u>2,780,523</u>
Income (loss) from continuing operations before income taxes	(47,461)	162,519	153,167
Income tax expense (benefit)	(18,747)	64,195	60,501
	<u>(28,714)</u>	<u>98,324</u>	<u>92,666</u>
Income (loss) from continuing operations	(28,714)	98,324	92,666
Discontinued operations	8,480	(478,976)	3,444
	<u>8,480</u>	<u>(478,976)</u>	<u>3,444</u>
Net income (loss)	<u>\$ (20,234)</u>	<u>\$ (380,652)</u>	<u>\$ 96,110</u>
Income (loss) per common share — basic:			
Continuing operations	\$ (0.25)	\$ 0.88	\$ 0.84
Discontinued operations	0.07	(4.30)	0.03
	<u>\$ (0.18)</u>	<u>\$ (3.42)</u>	<u>\$ 0.87</u>
Income (loss) per common share — diluted:			
Continuing operations	\$ (0.25)	\$ 0.87	\$ 0.82
Discontinued operations	0.07	(4.26)	0.03
	<u>\$ (0.18)</u>	<u>\$ (3.39)</u>	<u>\$ 0.85</u>

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

BIG LOTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except par values)

	February 2, 2002	February 3, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,822	\$ 30,661
Inventories	705,293	744,945
Deferred income taxes	207,358	177,188
Refundable income taxes	9,308	84,048
Other current assets	43,293	63,725
Total current assets	994,074	1,100,567
Property and equipment — net	515,023	481,909
Other assets	24,112	2,920
	<u>\$1,533,209</u>	<u>\$1,585,396</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 205,522	\$ 201,564
Accrued liabilities	116,352	123,430
Total current liabilities	321,874	324,994
Long-term obligations	204,000	268,000
Deferred income taxes and other liabilities	79,802	64,590
Commitments and contingencies		
Shareholders' equity:		
Common shares — authorized 290,000 shares, \$.01 par value; issued 114,398 shares and 112,079 shares, respectively	1,144	1,121
Additional paid-in capital	435,970	416,038
Retained earnings	490,419	510,653
Total shareholders' equity	927,533	927,812
	<u>\$1,533,209</u>	<u>\$1,585,396</u>

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

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Common Shares	Additional Paid-In Capital	Retained Earnings	Total
Balance — January 30, 1999	\$1,095	\$385,612	\$ 795,195	\$1,181,902
Net income			96,110	96,110
Exercise of stock options	12	16,175		16,187
Contribution to savings plan	3	5,860		5,863
Balance — January 29, 2000	1,110	407,647	891,305	1,300,062
Net loss			(380,652)	(380,652)
Exercise of stock options	8	4,508		4,516
Contribution to savings plan	3	3,883		3,886
Balance — February 3, 2001	1,121	416,038	510,653	927,812
Net loss			(20,234)	(20,234)
Exercise of stock options	18	15,551		15,569
Contribution to savings plan	5	5,519		5,524
Redemption of preferred stock rights		(1,138)		(1,138)
Balance — February 2, 2002	\$1,144	\$435,970	\$ 490,419	\$ 927,533

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

[Table of Contents](#)**BIG LOTS, INC. AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year		
	2001	2000	1999
Operating activities:			
Net income (loss)	\$ (20,234)	\$(380,652)	\$ 96,110
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Discontinued operations	(8,480)	478,976	(3,444)
Depreciation and amortization	68,986	62,290	58,488
Deferred income taxes	(20,209)	(119,321)	7,812
Other	6,772	3,781	18,647
Change in assets and liabilities	124,098	(103,166)	(54,765)
Cash provided by (used in) discontinued operations		(249,842)	65,091
Net cash provided by (used in) operating activities	150,933	(307,934)	187,939
Investment activities:			
Capital expenditures	(107,561)	(114,847)	(83,068)
Cash proceeds from sale of business		257,613	
Other	6,123	19,465	355
Net cash provided by (used in) investing activities	(101,438)	162,231	(82,713)
Financing activities:			
Proceeds from (payment of) credit arrangements	(62,549)	77,900	(94,900)
Redemption of preferred stock rights	(1,138)		
Proceeds from exercise of stock options	12,353	2,127	10,105
Net cash provided by (used in) financing activities	(51,334)	80,027	(84,795)
Increase (decrease) in cash and cash equivalents	(1,839)	(65,676)	20,431
Cash and cash equivalents:			
Beginning of year	30,661	96,337	75,906
End of year	\$ 28,822	\$ 30,661	\$ 96,337

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Company is the nation's largest broadline closeout retailer. At February 2, 2002, the Company operated a total of 1,335 stores operating as BIG LOTS, BIG LOTS FURNITURE, PIC 'N' SAVE, and MAC FRUGAL'S BARGAINS•CLOSEOUTS. Wholesale operations are conducted through BIG LOTS WHOLESALE, CONSOLIDATED INTERNATIONAL, WISCONSIN TOY, and with online shopping at biglotswholesale.com.

Fiscal Year

The Company follows the concept of a 52/53 week fiscal year which ends on the Saturday nearest to January 31. Fiscal 2001 and 1999 were comprised of 52 weeks, while fiscal 2000 was comprised of 53 weeks.

Basis of Presentation

The Consolidated Financial Statements include the accounts of the Company and those subsidiaries of which the Company, directly or indirectly, has the ability to exercise significant influence over operating and financial policies. All significant intercompany transactions have been eliminated.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which affect reported amounts of assets and liabilities and disclosure of significant contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments which are unrestricted as to withdrawal or use, and which have an original maturity of three months or less. Cash equivalents are stated at cost, which approximates market value.

Inventories

Inventories are stated at the lower of cost or market, first-in first-out basis, primarily on the retail method.

Property and Equipment

Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets. Service lives are principally forty years for buildings and from three to ten years for other property and equipment. The Company reviews its long-lived asset balances whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Computer Software Costs

The Company records software development costs in accordance with the American Institute of Certified Public Accountants' Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Intangible Assets

Trademarks, service marks, and other intangible assets are amortized on a straight-line basis over a period of fifteen years.

Investments

Noncurrent investments in equity and debt securities are classified as other assets in the consolidated balance sheets and are stated at fair value. Any unrealized gains on equity securities classified as available-for-sale are recorded in other comprehensive income net of applicable income taxes.

Insurance Reserves

The Company is self-insured for certain losses relating to general liability, workers' compensation, and employee medical benefit claims. The Company has purchased stop-loss coverage in order to limit its exposure to significant claims. Accrued insurance liabilities are based on claims filed and estimates of claims incurred but not reported.

Revenue Recognition

The Company recognizes retail sales in its stores at the time the customer takes possession of merchandise. Wholesale sales are recognized at the time merchandise is shipped to the customer. All sales are net of estimated returns and allowances and exclude sales tax.

Other Comprehensive Income

The Company's other comprehensive income is equal to net income as there are no items that qualify as components of comprehensive income.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, requires derivatives to be recorded on the balance sheet as assets or liabilities, measured at fair value. Gains or losses from derivatives resulting from changes in fair value are recorded depending upon whether the instruments meet the criteria for hedge accounting. This Statement was adopted effective February 4, 2001, and does not have an impact on the financial position, results of operations, or cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Recent Accounting Pronouncements (Concluded)

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 eliminates the pooling-of-interests method of accounting for combinations. SFAS No. 142 eliminates the amortization of goodwill and requires goodwill to be reviewed for impairment at least annually and expensed to earnings only in the periods in which the recorded value of goodwill is more than the fair value. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001, and SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The Company does not believe these pronouncements will have an impact on the financial position, results of operations, or cash flows.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires that an obligation associated with the retirement of a tangible long-lived asset be recognized as a liability when incurred. Subsequent to initial measurement, an entity recognizes changes in the amount of the liability resulting from the passage of time and revisions to either the timing or amount of estimated cash flows. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not believe this pronouncement will have an impact on the financial position, results of operations, or cash flows.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," that address the disposal of a segment of a business. The Statement also amends Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, and generally would be applied prospectively for disposal activities initiated by a commitment to a plan made after the entity's initial adoption of this Statement. The Company does not believe this pronouncement will have an impact on the financial position, results of operations, or cash flows.

DISCONTINUED OPERATIONS

On June 27, 2000, the Company announced its decision to separate the toy and closeout businesses by divesting the Company's KB Toy Division. The financial statements and notes have been reclassified for all applicable periods presented to reflect the toy segment as a discontinued operation.

On December 7, 2000, the Company closed the sale of its KB Toy Division to an affiliate of Bain Capital, Inc. In connection with the sale, the Company recorded an after-tax loss of \$479.0 million consisting of a \$48.2 million after-tax loss from operations and a \$430.8 million after-tax loss on the disposal of the KB Toy Division.

The buyer purchased the business in conjunction with KB Toy's management, who were retained to lead the KB Toy business. Gross proceeds totaled approximately \$305 million, consisting primarily of \$258 million in cash, a note with a face amount of \$45 million, and a warrant to acquire common stock of the buyer's parent. The note receivable matures on December 7, 2010 and bears interest at a rate of 8 percent. The interest is payable in annual

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**DISCONTINUED OPERATIONS (Concluded)**

installments to be paid by issuing additional notes with substantially identical terms as the original note. The warrant provides that the Company is entitled to purchase up to 2.5 percent of the common stock of the buyer's parent for a stated per share price. The stock can be purchased anytime prior to December 7, 2005. The note and warrant are being accounted for on the cost basis. Proceeds from the sale were used primarily to pay down existing borrowings under the Company's Prior Revolver.

The Company has, as part of the sale agreement, retained the responsibility for certain KB insurance claims incurred through the date of closing of the sale (December 7, 2000). During the fourth quarter of 2001, the Company determined that the estimate for the related insurance reserves exceeded the expected liability. Accordingly, a portion of the insurance reserves established in connection with the sale of the KB Toy Division were adjusted and recorded as income from discontinued operations on the Company's statement of operations. This adjustment resulted in \$8.5 million of after-tax income from discontinued operations in the fourth quarter of 2001.

The following are the components of discontinued operations:

(In thousands)	2001	2000	1999
Income (loss) from operations of KB Toy Division, net of income taxes of \$(31,470) and \$2,699 in 2000 and 1999, respectively		\$ (48,201)	\$3,444
Income (loss) on disposal of KB Toy Division, net of income taxes of \$5,423 and \$(201,953) in 2001 and 2000, respectively	\$8,480	(430,775)	
	<u>\$8,480</u>	<u>\$(478,976)</u>	<u>\$3,444</u>

NON-CASH 2001 FOURTH QUARTER CHARGE

In the fourth quarter of fiscal 2001, the Company recorded a non-cash charge of \$50.4 million (after-tax), or \$0.44 per diluted share. The charge represented a) costs to modify the Company's product assortment and exit certain merchandise categories (\$6.1 million after-tax), b) adjustments to the estimated capitalized freight costs related to inbound imported inventories in response to better systems and information (\$15.0 million after-tax), c) adjustments to inventory-related costs that were identified as a result of the completion of a significant multi-year conversion to a detailed SKU-level inventory management system (\$16.7 million after-tax), and d) changes in estimates and estimating methodology related to insurance reserves (\$12.6 million after-tax). These charges are included in the Company's 2001 fourth quarter financial statements.

A critical element of the Company's overall business strategy has been a multi-year initiative to improve its information systems, the final phase of which was completed in fiscal 2001. The new systems have given the Company the ability to track and manage inventories at the SKU level with improved visibility and data. The new systems have also provided better information on inventory balances, and have given management the capability to assess profitability and financial returns down to the SKU level.

Based on an analysis of SKU-level information, the Company decided to modify its product assortment and exit certain categories of merchandise. This decision allowed the Company to expand its consumables and home décor categories, both of which management believes have superior financial returns. The markdowns associated with these discontinued products, all of which were taken during the fourth quarter of fiscal 2001, accounted for approximately \$6.1 million (after-tax) of the charge described above. The Company believes this action will result in a more productive product assortment and a greater emphasis on the every day consumable items that help drive repeat store traffic.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NON-CASH 2001 FOURTH QUARTER CHARGE (Concluded)**

The second component of the charge related to the estimated capitalized import freight costs which are incurred in connection with inbound inventories sourced from outside the United States. New information systems have improved the Company's ability to manage merchandise flow and freight costs. These improved systems have also provided better information and tools for determining the proper amount of capitalized import freight costs to be recorded on the balance sheet. Accordingly, based on this new information, the Company has revised its estimates and methodology, resulting in a \$15.0 million (after-tax) charge.

The third component of the charge pertained to inventory-related costs that had not been allocated to the cost of merchandise in the Company's detailed inventory stock ledger and, accordingly, were not being fully allocated to cost of goods sold. The Company identified this issue in the fourth quarter of 2001 as a result of the conversion to the new SKU-based systems, resulting in a \$16.7 million (after-tax) charge.

The fourth and final component of the charge related to insurance reserves. At the end of fiscal 2001, the Company analyzed its insurance reserve accounts and implemented a new methodology that provided better actuarial estimates of future claims. This new methodology, combined with an upward trend in 2001 claims, resulted in a \$12.6 million (after-tax) charge to increase the Company's insurance reserves. This charge consisted of two elements. The first related to the adjustment of reserves established in connection with the sale of the KB Toy Division, which resulted in \$8.5 million (after-tax) income from discontinued operations. The second element of the charge was \$21.1 million (after-tax) to increase reserves related to continuing operations.

INCOME TAXES

The provision for income taxes is comprised of the following:

(In thousands)	2001	2000	1999
Federal — currently payable	\$ 5,529	\$ 95,090	\$50,041
Deferred — federal, state and local	(25,096)	(49,751)	5,905
State and local — currently payable	820	18,856	4,555
	<u>\$(18,747)</u>	<u>\$ 64,195</u>	<u>\$60,501</u>

A reconciliation between the statutory federal income tax rate and the effective tax rate follows:

	2001	2000	1999
Statutory federal income tax rate	35.0%	35.0%	35.0%
Effect of:			
State and local income taxes, net of federal tax benefit	4.5	4.5	2.5
Work opportunity tax credits	(2.6)	(0.6)	(0.3)
Other	2.6	0.6	2.3
Effective tax rate	<u>39.5%</u>	<u>39.5%</u>	<u>39.5%</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**INCOME TAXES (continued)**

Income tax payments and refunds are as follows:

(In thousands)	2001	2000	1999
Income taxes paid	\$ 8,969	\$ 68,390	\$42,984
Income taxes refunded	(76,558)	(20,679)	(2,488)
Net income taxes paid (refunded)	\$(67,589)	\$ 47,711	\$40,496

Deferred taxes reflect the effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of the Company's deferred tax assets and liabilities are presented in the following table.

(In thousands)	2001	2000
Deferred tax assets:		
Uniform inventory capitalization	\$ 21,142	\$ 23,127
Workers' compensation and other insurance reserves	38,378	23,354
Net operating loss carryforwards	72,518	76,254
Other (each less than 5% of total deferred tax assets)	102,873	72,246
Valuation allowance	(27,553)	(17,793)
Total deferred tax assets	207,358	177,188
Deferred tax liabilities:		
Depreciation	31,182	34,527
Other (each less than 5% of total deferred tax liabilities)	47,169	30,063
Total deferred tax liabilities	78,351	64,590
Net deferred tax assets	\$129,007	\$112,598

The Company has federal pre-tax net operating loss carryforwards arising from the disposition of its KB Toy Division of approximately \$139.3 million (approximately \$48.7 million tax benefit) that will expire in fiscal 2020. The Company has determined that based on profitability, it is more likely than not that the federal net operating loss carryforwards will be realized in future periods. The Company also has recorded a cumulative state net operating loss benefit of approximately \$23.8 million. The state net operating loss carryforwards will expire from fiscal 2004 through fiscal 2021.

The Company has the following tax credit carryforwards:

	Amount	Expiration Date
Federal:		
Alternative Minimum Tax	\$5,244,000	None
Work Opportunity Tax Credits	6,187,000	None
Low Income Housing Tax Credits	200,000	Fiscal 2018-2021
Foreign Tax Credits	1,146,000	Fiscal 2003-2004
State:		
Enterprise Zone Credits	\$2,150,000	Fiscal 2006

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**INCOME TAXES (concluded)**

The Company has established valuation allowances to reflect that it is more likely than not that a portion of the federal and state deferred tax assets may not be realized.

On March 9, 2002 President George W. Bush signed into law the Job Creation and Worker Assistance Act of 2002, (H.R. 3090) which includes a provision that extends the general net operating loss carryback period to five years for federal tax net operating losses arising in taxable years ending in 2001 and 2002. At the end of fiscal 2001, the Company had approximately \$139.3 million (approximately \$48.7 million tax benefit) of federal taxable loss carryforwards from the sale of its KB Toy Division generated in fiscal 2000 which the Company will now be able to carryback. It is anticipated that these net operating losses will be fully utilized in the newly expanded carryback period.

LONG-TERM OBLIGATIONS

Long-term debt was comprised of the following:

(In thousands)	2001	2000
Credit Agreements		\$268,000
Senior Notes	\$204,000	
	\$204,000	\$268,000

Interest paid was \$19.1 million in 2001, \$39.7 million in 2000, and \$27.4 million in 1999, which includes capitalized interest of \$2.4 million, \$2.8 million, and \$1.7 million, respectively.

Credit Agreements

On May 8, 2001, the Company entered into a \$512.5 million senior unsecured revolving credit agreement ("Revolving Credit Agreement") with a group of financial institutions, which consists of a \$358.75 million three-year revolving credit facility and a \$153.75 million 364-day facility, renewable annually. The Revolving Credit Agreement replaced the Company's \$500 million senior unsecured Revolving Credit Facility ("Prior Revolver") that was due to expire on May 6, 2002. The average interest rate under the Revolving Credit Agreement during fiscal 2001 was 5.41 percent.

The Revolving Credit Agreement contains customary affirmative and negative covenants including financial covenants requiring the Company to maintain specified fixed charge coverage and leverage ratios as well as a minimum level of net worth.

On October 30, 2001, the financial covenants of the Revolving Credit Agreement were amended to provide the Company with increased operating flexibility. On February 25, 2002, the Revolving Credit Agreement was amended to exclude the non-cash 2001 fourth quarter charge from the fixed charge coverage and leverage ratio financial covenant calculations. As part of the amendment, the Company provided collateral, consisting principally of its inventories, as security for the loans and agreed to certain changes in other terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

LONG-TERM OBLIGATIONS (continued)

The second amendment to the Revolving Credit Agreement imposed certain limitations on the extent to which the Company may borrow under the Revolving Credit Agreement. The Company's borrowing base will fluctuate monthly based on the value of the Company's inventory, as determined under the Revolving Credit Agreement. The Company believes that the value of its inventory, while it will vary seasonally, is sufficient to provide it with the liquidity to meet its borrowing needs.

The Company had no direct borrowings under the Revolving Credit Agreement at February 2, 2002. At such date, the Company was contingently liable for outstanding letters of credit totaling \$32.8 million, and had \$17.5 million of invested funds.

Senior Notes

On May 8, 2001, the Company completed a \$204 million private placement of unsecured senior notes ("Senior Notes") with maturities ranging from four to six years. The Senior Notes were issued with a weighted-average yield of 7.71 percent and rank parri passu with the Company's Revolving Credit Agreement. Proceeds from the issue were used to pay down the Prior Revolver.

The Senior Note Agreement contains customary affirmative and negative covenants including financial covenants requiring the Company to maintain specified fixed charge coverage and leverage ratios as well as a minimum level of net worth.

On February 25, 2002, the Senior Note Agreement was amended to exclude the non-cash 2001 fourth quarter charge from the fixed charge coverage and leverage ratio financial covenant calculations. As part of the amendment, the Company provided collateral, consisting principally of its inventories, as security for the Senior Notes and agreed to certain changes in other terms.

COMMITMENTS AND CONTINGENCIES

The Company has commitments to certain vendors for future inventory purchases totaling approximately \$445.4 million at February 2, 2002. Terms of the commitments provide for these inventory purchases to be made through fiscal 2004 or later as may be extended. There are no annual minimum purchase requirements.

The Company and certain subsidiaries are named as defendants in various legal proceedings and claims, including various employment related matters, which are incidental to their ordinary course of business. Management believes they have meritorious defenses and will aggressively defend the Company in these actions. No liabilities have been recorded relating to these matters because the obligations are not viewed as probable.

The Company is self-insured for certain losses relating to general liability, workers' compensation, and employee medical benefit claims. The Company has purchased stop-loss coverage in order to limit its exposure to significant claims. Accrued insurance liabilities are based on claims filed and estimates of claims incurred but not reported.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**EMPLOYEE BENEFIT PLANS****Pension Benefits**

The Company has a qualified defined benefit pension plan ("Pension Plan") covering certain employees hired on or before March 31, 1994, and a non-qualified supplemental defined benefit pension plan ("Supplemental Pension Plan"). Benefits under each plan are based on credited years of service and the employee's compensation during the last five years of employment. The Company's funding policy of the Pension Plan is to contribute annually the amount required to meet ERISA funding standards and to provide not only for benefits attributed to service to date but also for those anticipated to be earned in the future. The company maintains the Supplemental Pension Plan for those executives whose benefits were frozen in the Pension Plan on or subsequent to January 1, 1996. The Supplemental Pension Plan constitutes a contract to pay benefits upon retirement as therein defined. The Supplemental Pension Plan is designed to pay the same benefits in the same amount as if the participants continued to accrue benefits under the Pension Plan. The Company has no obligation to fund the Supplemental Pension Plan, and all assets and amounts payable under the Supplemental Pension Plan are subject to the claims of the general creditors of the Company.

The following provides a reconciliation of projected benefit obligations, plan assets, and funded status of all plans as of December 31.

(In thousands)	2001	2000
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 35,924	\$34,921
Service cost	3,377	3,221
Interest cost	2,658	2,382
Benefits paid	(2,363)	(2,625)
Plan amendment	152	
Actuarial (gain) loss	1,932	(1,975)
Projected benefit obligation at end of year	<u>\$ 41,680</u>	<u>\$35,924</u>
Change in plan assets:		
Fair market value at beginning of year	\$ 25,993	\$26,610
Actual return on plan assets	(1,331)	(1,559)
Employer contribution	2,963	3,567
Benefits paid	(2,363)	(2,625)
Fair market value at end of year	<u>\$ 25,262</u>	<u>\$25,993</u>
Funded status	\$(16,417)	\$ (9,931)
Unrecognized actuarial loss	11,510	6,553
Unrecognized transition obligation	159	172
Unrecognized prior service cost	17	(271)
Accrued benefit cost	<u>\$ (4,731)</u>	<u>\$ (3,477)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

EMPLOYEE BENEFIT PLANS (continued)

Assumptions used in each year of the actuarial computations were:

	2001	2000
Discount rate	7.2%	7.6%
Rate of increase in compensation levels	5.5%	5.5%
Expected long-term rate of return	9.0%	9.0%

The components of net periodic pension cost are comprised of the following:

(In thousands)	2001	2000	1999
Service cost — benefits earned in the period	\$ 3,377	\$ 3,221	\$ 3,350
Interest cost on projected benefit obligation	2,658	2,382	2,074
Expected investment return on plan assets	(2,227)	(2,312)	(2,008)
Net amortization and deferral	409	(20)	778
Net periodic pension cost	\$ 4,217	\$ 3,271	\$ 4,194

The following sets forth certain information for the qualified defined benefit pension plan and the non-qualified supplemental defined benefit pension plan.

(In thousands)	Funded Qualified Defined Benefit Pension Plan		Unfunded Non-Qualified Supplemental Defined Benefit Pension Plan	
	2001	2000	2001	2000
Projected benefit obligation	\$37,988	\$33,223	\$ 3,691	\$ 2,701
Accumulated benefit obligation	28,178	24,168	1,942	1,388
Fair market value of plan assets	25,262	25,993		

Savings Plan

The Company has a savings plan with a 401(k) deferral feature and a Top Hat Plan with a similar deferral feature for all eligible employees. Provisions of \$2.0 million, \$6.9 million, and \$5.3 million have been charged to operations in fiscal 2001, 2000, and 1999, respectively.

LEASES

Leased property consists primarily of the Company's retail stores and certain warehouse space. Many of the store leases have rent escalations and provide that the Company pay for real estate taxes, utilities, liability insurance, and maintenance. Certain leases provide for contingent rents, in addition to the fixed monthly rent, based on a percentage of store sales above a specified level. In addition, some leases provide options to extend the original terms for an additional two to twenty years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**LEASES (Concluded)**

Minimum lease commitments as of February 2, 2002, are as follows:

(In thousands)	Operating Leases
2002	\$144,215
2003	129,527
2004	106,790
2005	84,699
2006	59,445
Subsequent to 2006	107,875
	<u>\$632,551</u>

Total rental expense charged to operations for operating leases of stores and warehouses consisted of the following:

(In thousands)	2001	2000	1999
Minimum rentals	\$160,058	\$150,270	\$155,237
Contingent rentals	1,169	(285)	1,051
	<u>\$161,227</u>	<u>\$149,985</u>	<u>\$156,288</u>

SHAREHOLDERS' EQUITY**Income Per Share**

There are no adjustments required to be made to weighted-average common shares outstanding for purposes of computing basic and diluted income per share and there were no securities outstanding at February 2, 2002, which were excluded from the computation of income per share. Fully diluted shares are not presented for the year ended February 2, 2002 as the Company incurred a loss and to include these shares would be antidilutive. At February 2, 2002, an aggregate of 200,663 common shares subject to unexercised stock options have been excluded from the computation of diluted earnings per share.

A reconciliation of the number of weighted-average common shares outstanding used in the basic and diluted income per share computations is as follows:

(In thousands)	Weighted-Average Common Shares Outstanding		
	2001	2000	1999
Basic	113,660	111,432	110,360
Dilutive effect of stock options		982	2,592
Diluted	<u>113,660</u>	<u>112,414</u>	<u>112,952</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stockholder Rights Plan

On August 22, 2001, the Company announced that its Board of Directors had unanimously voted to redeem the preferred stock rights under the Company's Rights Agreement. The redemption was a direct result of the Company's redomestication into Ohio, as approved by its shareholders at the Company's 2001 Annual Meeting. Pursuant to the terms of the Rights Agreement, the Company redeemed the rights by paying a redemption price of \$0.01 per right. The redemption was made to all shareholders of record as of the close of business on August 31, 2001.

STOCK PLANS

Stock Option Plans

The Big Lots, Inc. 1996 Performance Incentive Plan, as amended ("Incentive Plan") provides for the issuance of stock options, restricted stock, performance units, stock equivalent units, and stock appreciation rights ("SARs"). The number of newly issued common shares available for issuance under the Incentive Plan at the time of the plan's inception was 3,125,000 plus an additional one percent of the total number of issued shares, including any Treasury Stock, at the start of the Company's fiscal year plus shares available but not issued in previous years of the Incentive Plan. Total newly issued common shares available for use under the Incentive Plan shall not exceed 15 percent of the total issued and outstanding common shares as of any measurement date. At February 2, 2002, 11,351,757 common shares were available for issuance under the Incentive Plan. The term of each award is determined by a committee of the Board of Directors charged with administering the Incentive Plan. Stock options granted under the Incentive Plan may be either nonqualified or incentive stock options and the exercise price may not be less than the fair market value, as defined by the Incentive Plan, of the underlying common shares on the date of award. The award price of a SAR is to be a fixed amount not less than 100 percent of the fair market value of a common share at the date of award. Upon an effective change in control of the Company, all awards outstanding under the Incentive Plan automatically vest.

The Company has a Director Stock Option Plan ("DSOP"), for nonemployee directors, pursuant to which up to 781,250 common shares may be issued upon exercise of options granted thereunder. The DSOP is administered by the Compensation Committee of the Board of Directors pursuant to an established formula. Neither the Board of Directors nor the Compensation Committee exercise any discretion in administration of the DSOP. Grants are made annually, approximately 90 days following the annual meeting of shareholders, at an exercise price equal to 100 percent of the fair market value on the date of grant. The present formula provides for an annual grant of 5,000 options to each nonemployee director which becomes fully exercisable over a three-year period: 20 percent the first year and 40 percent each subsequent year, beginning one year subsequent to grant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

STOCK PLANS (Continued)

Changes in the status of outstanding options were as follows:

	Options	Price(a)
Outstanding at January 30, 1999	11,942,887	\$16.85
Granted	392,500	19.42
Exercised	1,177,126	7.17
Forfeited	303,793	26.64
Outstanding at January 29, 2000	10,854,468	17.73
Granted	2,474,000	11.70
Exercised	754,145	3.02
Forfeited	1,778,098	19.77
Outstanding at February 3, 2001	10,796,225	17.02
Granted	2,497,019	11.53
Exercised	1,775,649	6.87
Forfeited	1,450,174	22.41
Outstanding at February 2, 2002	10,067,421	\$16.65

(a) Weighted-average per share exercise price.

The following table summarizes information about the Company's stock option plans at February 2, 2002:

Range of Prices		Options Outstanding			Options Exercisable	
Greater Than	Less Than or Equal to	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
\$ 1	\$ 10	253,732	6.6	\$ 9.34	92,932	\$ 8.57
\$10	\$ 20	7,587,669	6.5	12.55	3,534,850	12.87
\$20	\$ 30	1,180,626	5.2	26.12	1,093,826	26.46
\$30	\$ 40	1,006,894	6.1	37.38	575,626	37.24
\$40		38,500	5.8	40.82	35,100	40.84
		10,067,421	6.3	\$16.65	5,332,334	\$18.40

The Company previously adopted SFAS No. 123, "Accounting for Stock-Based Compensation," and, as permitted by this standard, will continue to apply the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," to its stock options and other stock-based employee compensation awards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**STOCK PLANS (Concluded)**

If compensation cost for stock option awards had been determined based on the fair value at the grant date, consistent with the method prescribed by SFAS No. 123, pro forma net income (loss) and income (loss) per share would have been as follows:

(In thousands, except per share amounts)	2001	2000	1999
Net income (loss):			
As reported	\$(20,234)	\$(380,652)	\$96,110
Pro forma	(26,990)	(384,826)	83,847
Income (loss) per common share — basic:			
As reported	\$ (0.18)	\$ (3.42)	\$ 0.87
Pro forma	(0.24)	(3.45)	0.76
Income (loss) per common share — diluted:			
As reported	\$ (0.18)	\$ (3.39)	\$ 0.85
Pro forma	(0.24)	(3.42)	0.74

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2001	2000	1999
Weighted-average fair value of options granted	\$11.53	\$11.76	\$19.71
Risk-free interest rates	4.5 %	4.8 %	6.4 %
Expected life (years)	1.1	2.5	2.2
Expected volatility	51.2 %	66.0 %	69.0 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ADDITIONAL DATA

The following is a summary of certain financial data:

(In thousands)	2001	2000
Property and equipment — at cost:		
Land	\$ 39,240	\$ 36,040
Buildings	447,800	359,951
Fixtures and equipment	504,228	441,113
Transportation equipment	23,692	23,824
	1,014,960	860,928
Construction-in-progress	7	65,996
	1,014,967	926,924
Less accumulated depreciation	499,944	445,015
	<u>\$ 515,023</u>	<u>\$481,909</u>
(In thousands)	2001	2000
Accrued liabilities:		
Salaries and wages	\$ 36,391	\$ 45,874
Property, payroll, and other taxes	76,509	76,973
Other	3,452	583
	<u>\$116,352</u>	<u>\$123,430</u>

The following analysis supplements changes in current assets and current liabilities presented in the Consolidated Statements of Cash Flows:

(In thousands)	2001	2000	1999
Inventories	\$ 39,652	\$ (9,019)	\$(46,061)
Other current assets	12,826	(21,235)	(2,814)
Accounts payable	3,958	12,446	(9,868)
Accrued liabilities	(7,078)	26,935	(3,001)
Income taxes	74,740	(112,293)	6,979
	<u>\$124,098</u>	<u>\$(103,166)</u>	<u>\$(54,765)</u>

The \$74.7 million change in income taxes in 2001 is primarily due to a \$73.2 million federal income tax refund. The refund was generated through the recovery of federal taxes paid for 1998 and 1999 due to the carryback of the fiscal 2000 net operating loss from the sale of the KB Toy Division.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

Summarized quarterly financial data for fiscal 2001, 2000, and 1999 is presented below:

(In thousands, except per share amounts) (a)	First	Second	Third	Fourth	Year
2001					
Net sales	\$773,621	\$748,380	\$ 773,106	\$1,138,214	\$3,433,321
Gross profit	313,918	299,927	316,641	410,652	1,341,138
Income (loss) from continuing operations	298	(10,699)	(16,364)	(1,949)	(28,714)
Net income (loss)	298	(10,699)	(16,364)	6,531	(20,234)
Income (loss) per common share — basic:					
Continuing operations	0.00	(0.09)	(0.14)	(0.02)	(0.25)
Discontinued operations	0.00	0.00	0.00	0.08	0.07
	<u>\$ 0.00</u>	<u>\$ (0.09)</u>	<u>\$ (0.14)</u>	<u>\$ 0.06</u>	<u>\$ (0.18)</u>
Income (loss) per common share — diluted:					
Continuing operations	0.00	(0.09)	(0.14)	(0.02)	(0.25)
Discontinued operations	0.00	0.00	0.00	0.08	0.07
	<u>\$ 0.00</u>	<u>\$ (0.09)</u>	<u>\$ (0.14)</u>	<u>\$ 0.06</u>	<u>\$ (0.18)</u>
2000					
Net sales	\$723,139	\$708,518	\$ 733,495	\$1,111,936	\$3,277,088
Gross profit	303,693	298,510	312,574	470,966	1,385,743
Income from continuing operations	14,324	9,277	6,570	68,153	98,324
Net income (loss)	(13,177)	(62,679)	(400,018)	95,222	(380,652)
Income (loss) per common share — basic:					
Continuing operations	0.13	0.08	0.06	0.61	0.88
Discontinued operations	(0.25)	(0.64)	(3.65)	0.24	(4.30)
	<u>\$ (0.12)</u>	<u>\$ (0.56)</u>	<u>\$ (3.59)</u>	<u>\$ 0.85</u>	<u>\$ (3.42)</u>
Income (loss) per common share — diluted:					
Continuing operations	0.13	0.08	0.06	0.61	0.87
Discontinued operations	(0.25)	(0.64)	(3.61)	0.24	(4.26)
	<u>\$ (0.12)</u>	<u>\$ (0.56)</u>	<u>\$ (3.55)</u>	<u>\$ 0.85</u>	<u>\$ (3.39)</u>

(a) Income (loss) per share calculations for each quarter are based on the applicable weighted-average shares outstanding for each period and may not necessarily be equal to the full year income (loss) per share amount

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SELECTED QUARTERLY FINANCIAL DATA (Unaudited)(Concluded)

(In thousands, except per share amounts) (a)	First	Second	Third	Fourth	Year
1999					
Net sales	\$644,579	\$641,638	\$673,530	\$973,943	\$2,933,690
Gross profit	278,476	273,246	285,990	427,355	1,265,067
Income from continuing operations	12,773	8,419	7,720	63,754	92,666
Net income (loss)	(3,721)	(4,416)	(15,012)	119,259	96,110
Income (loss) per common share — basic:					
Continuing operations	0.12	0.08	0.07	0.58	0.84
Discontinued operations	(0.15)	(0.12)	(0.21)	0.50	0.03
	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.14)</u>	<u>\$ 1.08</u>	<u>\$ 0.87</u>
Income (loss) per common share — diluted:					
Continuing operations	0.11	0.07	0.07	0.57	0.82
Discontinued operations	(0.14)	(0.11)	(0.20)	0.49	0.03
	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.13)</u>	<u>\$ 1.06</u>	<u>\$ 0.85</u>

- (a) Income (loss) per share calculations for each quarter are based on the applicable weighted-average shares outstanding for each period and may not necessarily be equal to the full year income (loss) per share amount.

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

PART III

Items 10-13

Pursuant to General Instruction G to Form 10-K, the information called for by Items 10, with respect to directors of the Company (to the extent not set forth in Part I hereof), 11, 12, and 13 is incorporated by reference to the Company's Proxy Statement for its 2002 Annual Meeting of Shareholders, which involves the election of directors, the definitive copy of which the Company filed with the Securities and Exchange Commission, pursuant to Regulation 14A, on April XX, 2002.

PART IV

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

(a) Index to Consolidated Financial Statements, Financial Statement Schedules and Exhibits

		<u>Page</u>
1	Financial Statements	
	Independent Auditors' Report	22
	Consolidated Statements of Operations	23
	Consolidated Balance Sheets	24
	Consolidated Statements of Stockholders' Equity	25
	Consolidated Statements of Cash Flows	26
	Notes to Consolidated Financial Statements	27
2	Financial Statement Schedules	
<u>Schedule</u>	<u>Description</u>	
II	Valuation and Qualifying Accounts	49

All other financial statements and schedules not listed in the preceding indexes are omitted as the information is not applicable or the information is presented in the consolidated financial statements or notes thereto.

(b) Reports on Form 8-K

None.

(c) Exhibits

Exhibits marked with an asterisk (*) are filed herewith.

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Exhibit No.	Document
2	Agreement of Merger dated as of May 15, 2001 (Exhibit 2 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 5, 2001, and incorporated herein by reference).
3(a)	Amended Articles of Incorporation of the Company dated as of May 15, 2001 (Exhibit 3(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended May 5, 2001, and incorporated herein by reference).
3(b)	Code of Regulations of the Company (Exhibit 3(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended May 5, 2001, and incorporated herein by reference).
4(a)*	Specimen Common Share Certificate of the Company.
10(a)	Big Lots, Inc. 1996 Performance Incentive Plan as Amended and Restated on May 15, 2001 (Exhibit 10 to the Company's Post-Effective Amendment No. 1 to Form S-8 Registration Statement Under the Securities Act of 1933 and incorporated herein by reference).
10(b)	Consolidated Stores Corporation Directors Stock Option Plan (Exhibit 10(q) to the Company's Registration Statement (No. 33-42502) on Form S-8 and incorporated herein by reference).
10(b)(i)	Big Lots, Inc. Amended and Restated Directors Stock Option Plan (Exhibit 10 to the Company's Post-Effective Amendment No. 1 to Form S-8 Registration Statement Under the Securities Act of 1933 and incorporated herein by reference).
10(c)	Big Lots, Inc. Supplemental Savings Plan (Exhibit 10 to the Company's Post-Effective Amendment No. 1 to Form S-8 Registration Statement Under the Securities Act of 1933 and incorporated herein by reference).
10(d)	CSIC Pension Plan and Trust dated March 1, 1976 (Exhibit 10(h)(ii) to the Company's Registration Statement (No. 2-97642) on Form S-1 and incorporated herein by reference).
10(d)(i)	Amendment to CSIC Pension Plan and Trust (Exhibit 10(h)(ii) to the Company's Registration Statement (No. 2-97642) on Form S-1 and incorporated herein by reference).
10(d)(ii)	Amendment No. 2 to CSIC Pension Plan and Trust (Filed as an Exhibit to the Company's Registration Statement (No. 33-6086) on Form S-8 and incorporated herein by reference).
10(e)	Credit Agreement dated as of May 8, 2001 by and among Big Lots Stores, Inc., an Ohio corporation (formerly Consolidated Stores Corporation, an Ohio corporation), as Borrower, the Guarantors (as defined) party thereto, the Banks (as defined) thereto, National City Bank, in its capacity as Administrative Agent, Lead Arranger and a Managing Agent, PNC Bank, National Association and First Union National Bank, as Documentation Agents and Managing Agents, and Bank of America, N.A., The Bank of New York and Firststar Bank, N.A., as Other Managing Agents (Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended May 5, 2001, and incorporated herein by reference).

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Exhibit No.	Document
10(e)(i)	First Amendment to Credit Agreement dated as of October 30, 2001 by and among Big Lots Stores, Inc., an Ohio corporation (formerly Consolidated Stores Corporation, an Ohio corporation), as Borrower, the Guarantors (as defined) parties thereto, the Banks (as defined), and National City Bank, as Administrative Agent (Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 3, 2001, and incorporated herein by reference).
10(e)(ii)*	Second Amendment to Credit Agreement dated as of February 25, 2002 by and among Big Lots Stores, Inc., an Ohio corporation (formerly Consolidated Stores Corporation, an Ohio corporation), as Borrower, the Guarantors (as defined) parties thereto, the Banks (as defined), National City Bank, as Administrative Agent.
10(e)(iii)*	Security Agreement dated as of February 25, 2002 given by Big Lots Stores, Inc., an Ohio corporation, and the other Debtors (as defined), in favor of National City Bank, as agent for the Banks (as defined).
10(f)	Employment Agreement with Michael J. Potter (Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 29, 2000, and incorporated herein by reference).
10(g)	Employment Agreement with Albert J. Bell (Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 29, 2000, and incorporated herein by reference).
10(h)	Employment Agreement with William G. Kelley (Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 29, 2000, and incorporated herein by reference).
10(i)	Employment Agreement with William G. Kelley (Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 1998, and incorporated herein by reference).
10(j)	Employment Agreement with Charles Freidenberg (Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 29, 1995, and incorporated herein by reference).
10(k)	Big Lots, Inc. Savings Plan and Trust (formerly Consolidated Stores Corporation Savings Plan and Trust), as amended and restated (Exhibit 10(q)(i) to the Company's Annual Report on Form 10-K for the year ended February 3, 1990 and incorporated herein by reference).
10(l)*	The 1998 Big Lots, Inc. Key Associate Annual Incentive Compensation Plan, as amended.
10(m)	Form of Executive Severance Agreement of the Company (Exhibit 10(r) to the Company's Annual Report on Form 10-K for the year ended January 30, 1999 and incorporated herein by reference).
10(n)	Form of Senior Executive Severance Agreement of the Company (Exhibit 10(s) to the Company's Annual Report on Form 10-K for the year ended January 30, 1999 and incorporated herein by reference).

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<u>Exhibit No.</u>	<u>Document</u>
10(o)	Big Lots Executive Benefits Plan (formerly Consolidated Stores Executive Benefits Plan)(Exhibit 10(t) to the Company's Annual Report on Form 10-K for the year ended February 3, 1990 and incorporated herein by reference).
10(p)	Stock Purchase Agreement between KB Acquisition Corporation and Consolidated Stores Corporation (Exhibit 2(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended October 28, 2000 and incorporated herein by reference).
10(q)	Big Lots, Inc. Executive Stock Option and Stock Appreciation Rights Plan (Exhibit 10 to the company's Post-Effective Amendment No. 3 to Form S-8 Registration Statement Under the Securities Act of 1933 and incorporated herein by reference).
10(r)	Note Purchase Agreement dated as of May 1, 2001 by and among Big Lots Stores, Inc., an Ohio corporation (formerly Consolidated Stores Corporation, an Ohio corporation), Big Lots, Inc., an Ohio corporation (formerly Consolidated Stores Corporation, a Delaware corporation), and each of the Purchasers (as defined)(Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended May 5, 2001 and incorporated herein by reference).
10(r)(i)*	First Amendment to Note Purchase Agreement dated as of February 25, 2002 by and among Big Lots Stores, Inc., an Ohio corporation (formerly Consolidated Stores Corporation, an Ohio corporation), Big Lots, Inc., an Ohio corporation (formerly Consolidated Stores Corporation, a Delaware corporation), and each of the Purchasers (as defined).
10(r)(ii)*	Security Agreement dated as of February 25, 2002 given by Big Lots Stores, Inc., an Ohio corporation, and the other Debtors (as defined), in favor of the Holders (as defined).
21*	List of subsidiaries of the Company.
23*	Consent of Deloitte & Touche LLP.
24	Power of Attorney for William G. Kelley, Michael L. Glazer and Michael J. Potter (Exhibit 24 included in Part II of the Company's Registration Statement (No. 333-2545) on Form S-3 and incorporated herein by reference).
24.1	Power of Attorney for David T. Kollat (Exhibit 24.1 to the Company's Registration Statement (No. 333-2545) on Form S-3 and incorporated herein by reference).
24.2	Power of Attorney for Dennis B. Tishkoff (Exhibit 24.4 to the Company's Registration Statement (No. 333-2545) on Form S-3 and incorporated herein by reference).
24.3	Power of Attorney for William A. Wickham (Exhibit 24.5 to the Company's Registration Statement (No. 333-2545) on Form S-3 and incorporated herein by reference).
24.4	Power of Attorney for Sheldon M. Berman (Exhibit 24.6 to the Company's Registration Statement (No. 333-2545) on Form S-3 and incorporated herein by reference).
24.5	Power of Attorney for W. Eric Carlborg (Exhibit 24.6 to the Company's Registration Statement (No. 333-32063) on Form S-8 and incorporated herein by reference).

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Exhibit No.	Document
24.6	Power of Attorney for Brenda J. Lauderback (Exhibit 24.7 to the Company's Registration Statement (No. 333-32063) on Form S-8 and incorporated herein by reference).

Copies of exhibits will be furnished upon written request and payment of Registrant's reasonable expenses in furnishing the exhibits.

BIG LOTS, INC. AND SUBSIDIARIES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Cost and Expense	Charged to Other Accounts		
Fiscal year ended February 2, 2002 - Inventory valuation allowance (a)	\$ 1,659	224		211	\$ 1,672
Fiscal year ended February 3, 2001 - Inventory valuation allowance (a)	\$ 3,946	10,511		12,798	\$ 1,659
Fiscal year ended January 29, 2000 - Inventory valuation allowance (a)	\$ 2,198	6,091		4,343	\$ 3,946

(a) Consists primarily of reserve for markdowns of aged goods and similar inventory reserves.

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SIGNATURES

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

BIG LOTS, INC.

Date: May 2, 2002

By: /s/ Michael J. Potter

Michael J. Potter
*Chairman of the Board, Chief Executive Officer
and President*

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

Date: May 2, 2002

By: /s/ Michael J. Potter

Michael J. Potter
*Chairman of the Board, Chief Executive Officer
and President*

Date: May 2, 2002

By: /s/ Jeffrey G. Naylor

Jeffrey G. Naylor
*Senior Vice President and Chief
Financial Officer*

Date: May 2, 2002

Sheldon M. Berman
W. Eric Carlborg
Michael L. Glazer
Directors

David T. Kollat
Brenda J. Lauderback
Directors

Michael J. Potter
Dennis B. Tishkoff
William A. Wickham
Directors

Albert J. Bell, by signing his name hereto, does hereby sign this Form 10-K pursuant to the Powers of Attorney executed by the Directors named, filed with the Securities and Exchange Commission on behalf of such Directors, all in the capacities indicated and on the date stated, such persons being a majority of the Directors of the Registrant.

By: /s/ Albert J. Bell

By: /s/ Albert J. Bell

Albert J. Bell
*Vice Chairman of the Board
and Chief Administrative Officer*

Albert J. Bell
Attorney-in-Fact

Dated: May 2, 2002

COMMON SHARES [CORPORATE LOGO OF BIG LOTS] COMMON SHARES

THIS CERTIFICATE IS TRANSFERABLE IN CLEVELAND, OHIO AND NEW YORK, NEW YORK SHARES

SEE REVERSE FOR CERTAIN DEFINITIONS

INCORPORATED UNDER THE LAWS OF THE STATE OF OHIO CUSIP 089302 10 3

THIS CERTIFIES THAT

IS THE OWNER OF

FULLY PAID AND NON-ASSESSABLE COMMON SHARES, \$.01 PAR VALUE PER SHARE, OF BIG LOTS, INC.

[SHARE CERTIFICATE]

transferable only on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

Dated:

COUNTERSIGNED AND REGISTERED: NATIONAL CITY BANK (CLEVELAND, OHIO) TRANSFER AGENT AND REGISTRAR

[SIGNATURE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER] CHAIRMAN AND CHIEF EXECUTIVE OFFICER

[SIGNATURE OF VICE CHAIRMAN AND CHIEF ADMINISTRATIVE OFFICER] VICE CHAIRMAN AND CHIEF ADMINISTRATIVE OFFICER

AUTHORIZED SIGNATURE

[SIGNATURE OF GENERAL COUNSEL AND CORPORATE SECRETARY] GENERAL COUNSEL AND CORPORATE SECRETARY

[STATUE OF LIBERTY PHOTO]

NUMBER

BL

[BIG LOTS INC. CORPORATE SEAL OHIO ARTWORK]

BANKNOTE CORPORATION OF AMERICA

BIG LOTS, INC.

THE CORPORATION WILL FURNISH WITHOUT CHARGE TO THE RECORD HOLDER OF THIS CERTIFICATE WHO SO REQUESTS, THE DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF SHARES OR SERIES THEREOF AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH

PREFERENCES AND/OR RIGHTS. ANY SUCH REQUEST MAY BE MADE TO THE CORPORATION OR TO THE TRANSFER AGENT.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out full according to applicable laws or regulations:

TEN COM - as tenants in common	UNIF GIFT MIN ACT -	Custodian
	-----	-----
	(Cust)	(Minor)
TEN ENT - as tenants by the entireties		under Uniform Gifts to Minors
JT TEN - as joint tenants with right of survivorship and not as tenants in common	Act	-----
		(State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE OF ASSIGNEE)

_____ of the shares

represented by the within Certificate and does hereby irrevocably constitute and appoint

_____ Attorney

to transfer the said shares on the books of the within named Corporation with full power of substitution in the premises

Dated, _____

X _____
(SIGNATURE)

X _____
(SIGNATURE)

ABOVE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER.

THE SIGNATURE(S) MUST BE GUARANTEED BY AN

ELIGIBLE GUARANTOR INSTITUTION SUCH AS A
SECURITIES BROKER/DEALER, COMMERCIAL BANK &
TRUST COMPANY, SAVINGS AND LOAN ASSOCIATION
OR A CREDIT UNION PARTICIPATING IN A MEDALLION
PROGRAM APPROVED BY THE SECURITIES TRANSFER
ASSOCIATION, INC.

SECOND AMENDMENT
TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (the "AMENDMENT"), dated as of February 25, 2002, is made by and among Big Lots Stores, Inc., an Ohio corporation (formerly known as Consolidated Stores Corporation) (the "BORROWER"), each of the Guarantors (as defined in the Credit Agreement defined below), the Banks (as defined in the Credit Agreement defined below), National City Bank in its capacity as administrative agent for the Banks under the Credit Agreement (the "ADMINISTRATIVE AGENT") and as Lead Arranger and a Managing Agent, Fleet National Bank, as Syndication Agent and a Managing Agent, PNC Bank, National Association and First Union National Bank, as Documentation Agents and Managing Agents, and Bank of America, N.A., The Bank of New York, and U.S. Bank National Association (formerly known as Firstar Bank, N.A.), as Managing Agents.

W I T N E S S E T H:

WHEREAS, the parties hereto are parties to that Credit Agreement, dated as of May 8, 2001, as amended by that First Amendment to Credit Agreement, dated as of October 20, 2001 (as so amended, the "CREDIT AGREEMENT"), and desire to amend certain terms thereof as set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and incorporating the above-defined terms herein and intending to be legally bound hereby, the parties hereto agree as follows:

1. Defined Terms; References. Terms not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Credit Agreement. Each reference to "hereof," "hereunder," "herein," "hereby," and similar references contained in the Credit Agreement, and each reference to "this Agreement" and similar references contained in the Credit Agreement, shall refer to the Credit Agreement as and to the extent amended hereby.

2. Amendment of Credit Agreement.

A. New Definitions; Modified Definitions.

(I) Section 1.1 [Certain Definitions] of the Credit Agreement is hereby amended to add the following definitions in the appropriate alphabetical order:

"Accounts" means all now owned or hereafter acquired or arising accounts, as defined in the UCC, of any Loan Party, including any rights to payment for the sale or lease of goods or rendition of services, whether or not they have been earned by performance, together with all products and proceeds of any of the foregoing.

"Borrowing Base" shall mean: (a) that amount which equals 1.35 times that dollar amount set forth as "Projected Cash Needs" in a Certificate of Cash Needs of the Loan Parties provided to the Administrative Agent and the Banks no later than 5:00 p.m. (Columbus time), February 25, 2002, until such time as an inventory appraisal acceptable to Administrative Agent has been delivered to Administrative Agent (and after allowing a sufficient time for its review thereof) and the Banks; provided, however, that if such appraisal has not been received by Administrative Agent on or before May 28, 2002, through no fault of Borrower, and upon the written request of Borrower to Administrative Agent and the Banks, the Administrative Agent and Borrower shall negotiate in good faith to determine an amount (the "Interim Borrowing

Base") which, utilizing the methods set forth herein for calculating the Borrowing Base, is a reasonable approximation of the Borrowing Base based on information then available (which information shall be then

contemporaneously shared with the Banks and Borrower), including any preliminary information (to the extent acceptable to Administrative Agent in its sole discretion) developed to such date by the Person conducting the appraisal described in this definition; and, Administrative Agent shall inform the Banks of the amount determined to be the Interim Borrowing Base whereupon, unless the Required Banks object to such amount in writing to Administrative Agent and Borrower within five (5) Business Days, the Interim Borrowing Base (and any additional Interim Borrowing Base(s) determined in a manner consistent with the procedures hereof (including the procedure allowing for objection by the Required Banks thereto)) shall be the Borrowing Base, until such time as an acceptable appraisal has been delivered to and reviewed by Administrative Agent in accordance with the preceding terms of this definition; and (b) at all times after the receipt and review of an inventory appraisal acceptable to Administrative Agent, that positive amount which results from the subtraction of the Indebtedness outstanding under the Senior Note Purchase Agreement from seventy percent (70%) of the product of the Net Recovery Percentage for Eligible Inventory multiplied by the Value of such Eligible Inventory, and subject to such reasonable adjustments as Administrative Agent in its sole discretion may elect.

"Borrowing Base Certificate" shall mean a written certificate executed by the Borrower on behalf of the Loan Parties setting forth the then current value of the Borrowing Base in form, scope, and detail satisfactory to the Administrative Agent in its sole discretion.

"Collateral" means all Accounts, Inventory, and General Intangibles of each Loan Party.

"Eligible Inventory" shall mean Inventory located in the United States (or in transit to the United States, but solely as to which the seller thereof has been paid or otherwise satisfied in accordance with applicable terms and either a Bank or Loan Party has in its possession the documents of title thereto or a Loan Party has become the owner thereof) of any of the Loan Parties that constitutes finished goods held or to be held for sale by a Loan Party in the ordinary course of its business at the time of determination and that: (a) is owned by a Loan Party and with respect to which such Loan Party has good and marketable title; (b) is not, in the Administrative Agent's reasonable opinion, obsolete or unmerchantable; (c) if not in transit, is located at premises owned or leased by such Loan Party or on premises otherwise reasonably acceptable to the Administrative Agent; (d) is subject to the first priority perfected security interest of the Administrative Agent for the benefit of the Banks and itself (subject only to the *pari passu* Liens of the noteholders under the Senior Note Purchase Agreement); (e) is not work-in-process, spare parts, packaging or shipping materials, supplies, bill-and-hold Inventory, returned or defective Inventory, or Inventory delivered on consignment; and (f) the Administrative Agent, in the exercise of its reasonable discretion, deems eligible based on such material collateral and credit criteria as the Administrative Agent may from time to time establish, provided, however, that the Administrative Agent shall give the Borrower at least ten (10) days' written notice prior to establishing such additional criteria and the reason(s) therefor. There shall in any event be excluded from Eligible Inventory any goods returned by a customer of a Loan Party that are determined by such Loan Party or the Administrative Agent to be unsalable in the ordinary course of business or held for return to vendors. If any Inventory at any time ceases to be Eligible Inventory, such Inventory shall promptly be excluded from the calculation of the Borrowing Base.

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"General Intangibles" means all now owned or hereafter acquired or arising general intangibles, as defined in the UCC, of any Loan Party, together with all products and proceeds of any of the foregoing.

"Inventory" shall mean all now owned or hereafter acquired inventory (as defined in the UCC), goods, merchandise, and

other personal property of any Loan Party, wherever located, held for sale or lease or which are or might be furnished under any contract of service, all raw materials, work in process, finished goods (including embedded software), returned goods, and materials and supplies of any kind, nature or description which are or might be used or consumed in the business of any Loan Party or used in connection with the manufacture, packing, shipping, advertising, selling or finishing of such goods, such merchandise or such other personal property, and all documents of title or other documents representing them, together with all products and proceeds of any of the foregoing.

"Net Recovery Percentage" shall mean the fraction, expressed as a percentage, (a) the numerator of which is an amount equal to the lowest amount of recovery in respect of the Inventory at any time on an orderly liquidation value basis as set forth in the most recent acceptable appraisal of Inventory received by Administrative Agent, and (b) the denominator of which is the original cost of the aggregate amount of such Inventory subject to such appraisal; notwithstanding anything to the contrary contained herein, the Net Recovery Percentage shall be determined in the same manner, and shall be consistent with, the most recent appraisal acceptable to Administrative Agent of the inventory prior to the date of calculation.

"Security Agreement" means the Security Agreement with respect to the Collateral dated on or about the date hereof between the Loan Parties and Administrative Agent for the benefit of Administrative Agent and the Banks or an agreement among the same parties, together with the noteholders under the Senior Note Purchase Agreement, granting a security interest in the Collateral and including intercreditor and collateral agency provisions.

"UCC" means the Uniform Commercial Code, as in effect from time to time, of the State of Ohio or of any other state the laws of which are required as a result thereof to be applied in connection with the issue of perfection of security interests; provided, that to the extent that the UCC is used to define any term herein or in any other documents and such term is defined differently in different Articles or Divisions of the UCC, the definition of such term contained in Article or Division 9 shall govern.

"Value" shall mean, as determined by Administrative Agent in good faith, with respect to Inventory, cost computed on an average cost basis in accordance with GAAP (and consistent with the current practices of the Loan Parties) and excluding any portion of the cost to a Loan Party equal to the profit earned by any Affiliate of a Loan Party on the sale thereof to such Loan Party; notwithstanding anything to the contrary contained herein, the cost of the Inventory shall be computed in the same manner and consistent with the most recent appraisal, acceptable to Administrative Agent, of the Inventory prior to the date of determination.

(II) The existing definition set forth in the Credit Agreement of each of the following defined terms is hereby amended and restated in its entirety as follows:

"Consolidated Income Adjustment" shall mean the adjustment(s) listed below to be made to any computation of Consolidated Net Income for the corresponding quarter listed below in the amount specified next to such quarter; provided, however, that the adjustment

corresponding to the quarter ending on or about February 2, 2002, shall apply only when the Company publicly reports an adjustment for such quarter (and solely to the extent of such reported adjustment, but in no event in an amount that exceeds the amount set forth below for such quarter) (the "ADJUSTMENT") and such Adjustment shall be deemed modified (without any further action) to equal the amount of such Adjustment as and when reflected in the Form 10-K to be filed by the Company with the Securities Exchange Commission with respect to the fiscal year of Company ending on or about February 2, 2002, up to an

amount not in excess of the amount of the Adjustment set forth below plus 5% thereof. For the avoidance of doubt, if the Adjustment as reflected in the Form 10-K filed by the Company with the Securities Exchange Commission with respect to the fiscal year of Company ending on or about February 2, 2002, is less than the amount therefor set forth below, the amount set forth below shall thereupon be reduced to reflect such lesser amount.

QUARTER ENDING ON OR ABOUT
DATE SPECIFIED BELOW:

ADJUSTMENT:

February 2, 2002

\$83,400,000

"Debt Rating" shall mean the rating of Big Lots, Inc., an Ohio corporation (formerly Consolidated Stores Corporation, a Delaware corporation), parent of the Borrower, as a corporate issuer by each of Standard & Poor's or Moody's.

"Loan Documents" shall mean this Agreement, the Administrative Agent's Letter, the Guaranty Agreement, the Security Agreement, the Intercompany Subordination Agreement, the Notes, the Intercreditor Agreement, any Letter of Credit Applications, and any other instruments, certificates, letters, 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.

(III) The following defined terms in Section 1.1 [Certain Definitions] of the Credit Agreement are hereby modified as follows:

(a) The last sentence of the definition of "Applicable Margin" is hereby amended and restated in its entirety as follows:

The Applicable Margin shall be computed in accordance with the parameters set forth on Schedule 1.1(A); provided, however, that the Debt Rating in effect shall be deemed to be at Level V through the last day of Borrower's second fiscal quarter of fiscal year 2002 (such fiscal year ending on or about January 31, 2003) unless the actual Debt Rating is at Level VI on such Schedule in which event the actual Debt Rating shall control.

(b) The last sentence of the definition of "Applicable Revolving Credit Facility Fee Rate" is hereby amended and restated in its entirety as follows:

The Applicable Revolving Credit Facility Fee Rate shall be computed in accordance with the parameters set forth on Schedule 1.1(A); provided, however, that the Debt Rating in effect shall be deemed to be at Level V through the last day of Borrower's second fiscal quarter of fiscal year 2002 (such fiscal year

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ending on or about January 31, 2003) unless the actual Debt Rating is at Level VI on such Schedule in which event the actual Debt Rating shall control.

(c) The last sentence of the definition of "Applicable 364-Day Loan Facility Fee Rate" is hereby amended and restated in its entirety as follows:

The Applicable 364-Day Loan Facility Fee Rate shall be computed in accordance with the parameters set forth on Schedule 1.1(A); provided, however, that the Debt Rating in effect shall be deemed to be at Level V through the last day of Borrower's second fiscal quarter of fiscal year 2002 (such fiscal year ending on or about January 31, 2003) unless the actual Debt Rating is at Level VI on such Schedule in which event the actual Debt Rating shall control.

(d) Clause (ix) of the definition of "Permitted Liens" in the Credit Agreement is hereby designated Clause (xi) and the following Clauses (ix) and (x) are added to such definition:

(ix) Liens on the Collateral in favor of the noteholders under the Senior Note Purchase Agreement securing a principal amount of indebtedness under the Senior Note Purchase Agreement not at any time in excess of \$204,000,000, together with interest, costs, make-whole amounts, and expenses thereunder, which Liens shall be of no greater priority than those of the Administrative Agent for the benefit of the Banks and itself;

(x) Liens on the Collateral in favor of the Administrative Agent for the benefit of the Banks and itself securing the Obligations, and

B. Borrowing Base and Miscellaneous Matters.

(I) The Credit Agreement is hereby amended to add the following Section 2.12:

2.12 Maximum Aggregate Facility Usage.

Notwithstanding any term or condition of this Agreement to the contrary, in no event shall:

(i) the Aggregate Facility Usage at any time exceed the lesser of the (a) sum of the Revolving Credit Commitments and the 364-Day Commitments or (b) the Borrowing Base; or

(ii) Borrower request any Loan or Letter of Credit which after giving effect thereto would cause the Aggregate Facility Usage to exceed the lesser of (a) the sum of the Revolving Credit Commitments and the 364-Day Commitments or (b) the Borrowing Base.

At any time that the Aggregate Facility Usage exceeds the Borrowing Base set forth on the most recent Borrowing Base Certificate delivered to Administrative Agent pursuant to Section 7.3.9, Borrower shall within one (1) Business Day prepay to the Administrative Agent for the pro rata benefit of the Banks a principal amount of the Loans outstanding equal to such excess, together with all interest, fees, loss, costs, and

expenses (including any which arise under Section 4.6.2) related thereto; provided that, if the prepayment of Loans would be insufficient to eliminate such excess amount, the Borrower shall within such time, and in addition to the prepayment required above, deposit in a non-interest bearing account (provided that with the consent of the Administrative Agent, such consent not to be unreasonably withheld, such account may be an interest bearing account) with the Administrative Agent, an amount which is sufficient to eliminate such excess and which shall be held as cash collateral for Borrower's Obligations in respect of Letters of Credit Outstanding; 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 and the related deposit account as security for such Obligations. From time to time and upon request of the Borrower, the Administrative Agent shall return to the Borrower any portion of the amount held in such cash collateral account which is no longer required to satisfy the foregoing.

(II) The Credit Agreement is hereby amended to add the following Section 7.3.9 and Section 7.3.10:

7.3.9 Monthly Borrowing Base Certificate.

On or before the twentieth (20th) day of each month (i) a Borrowing Base Certificate as of the last day of the prior month, and (ii) such further certificates, reports, agings, documents, and information as Administrative Agent may reasonably require.

7.3.10 Monthly Financial Statements.

As soon as available and in any event within thirty (30) calendar days after the end of each of each month, financial statements of the Company, consisting of a consolidated balance sheet as of the end of such month and related consolidated statements of income, stockholders' equity and cash flows for the month then ended and the fiscal year through that date, all in reasonable detail and certified (subject to normal year-end audit adjustments and any applicable quarter-end adjustments reflected in the statements provided pursuant to Section 7.3.1) by the Chief Executive Officer, President or Chief Financial Officer of the Borrower as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year.

(III) The following clause is hereby deleted from the first sentence of Section 7.1.6:

, no more than twice per year (unless an Event of Default has occurred and is continuing),

(IV) Schedule 1.1(A) to this Amendment hereby amends and restates in its entirety Schedule 1.1(A) of the Credit Agreement.

C. Non-Equal Assignments of Revolving Credit Commitments and 364-Day Commitments.

Clause (3) of Section 10.11(i) of the Credit Agreement is hereby amended and restated in its entirety as follows:

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(3) any Bank which assigns any portion of its Commitment shall be permitted to assign differing percentages of its Revolving Credit Commitment and 364-Day Loan Commitment which it is assigning.

D. Permitted Indebtedness to Noteholders.

Schedule 7.2.1 to this Amendment hereby amends and restates in its entirety Schedule 7.2.1 of the Credit Agreement, and the Banks hereby consent to the increase in the effective interest rate on, and the provision of security for, the Senior Notes as reflected on Schedule 7.2.1.

3. Effectiveness of Amendment, Conditions Precedent. This Amendment shall become effective on the date (i) that the Administrative Agent shall have received from each of Borrower, the Loan Parties, and the Required Banks a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to Administrative Agent) that such party has signed a counterpart

hereof, and (ii) that each of the following conditions precedent has been satisfied:

- (a) The Borrower shall have paid to the Administrative Agent and each of the Banks all fees, costs, expenses, and disbursements which are due and payable to the Administrative Agent and the Banks in connection with this Amendment (and which are known to Borrower by way of invoice, fee letter, or other writing);
- (b) The Administrative Agent shall have received for the benefit of the Banks and the Administrative Agent a first perfected security interest in all of the Borrower's and each Guarantor's Collateral, as such term is defined for purposes of the Credit Agreement at Section 2.A.(I) hereof (the "COLLATERAL"), subject to no other Liens other than Permitted Liens. The Borrower and the Guarantors shall have executed and delivered to the Administrative Agent for the benefit of itself and the Banks one or more security agreements in form and substance satisfactory to Administrative Agent and shall have done (and shall continue to do after the effectiveness hereof) all such other things necessary in the reasonable opinion of Administrative Agent and its counsel to provide a first perfected security interest in the Collateral, including fully cooperating with the Administrative Agent in connection with the creation and perfection of the foregoing security interests, and the Borrower and the Guarantors hereby authorize (i) the execution and filing of all financing statements by Administrative Agent on behalf of the Banks and Administrative Agent, without the execution thereof by any of Borrower or any Guarantor, naming the Loan Parties as "debtors," and (ii) the exercise of "control," as such term is defined in Article 9 of the UCC (as such term is defined for purposes of the Credit Agreement at Section 2.A.(I) hereof), over the Collateral in order to fully perfect the security interests therein. The implementation of the foregoing shall be in addition to and not in lieu of any other rights and remedies provided to the Administrative Agent and the Banks with respect to the Collateral;
- (c) Each of the Guarantors shall have consented to this Amendment and evidenced its consent hereto and reaffirmed its obligations set forth in the Guaranty Agreement, Intercompany Subordination Agreement, and each other Loan Document given by it.

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In the event that any of the foregoing has not been accomplished prior to the time at which Borrower publicly announces its earnings for fiscal year 2001, this Amendment shall be void and of no force or effect and the Administrative Agent and the Banks shall have no obligations hereunder and this Amendment, automatically, without notice or demand of any kind whatsoever, shall be void and of no force or effect whatsoever.

4. Continued Effectiveness of Amendment, Conditions Subsequent. This Amendment shall no longer be effective and shall be void and of no force or effect, and it shall be an Event of Default under Section 8.1.3 of the Credit Agreement, if any one of the following shall not occur at the time set forth therefor (and Borrower and each Guarantor acknowledges and agrees that any such Event of Default would be a material Event of Default):

- (a) The Borrower shall have provided to the Administrative Agent and the Banks, no later than forty-five (45) days from the date hereof, that actuarial report recently prepared for Borrower by

Deloitte & Touche regarding insurance coverage of the Loan Parties and the sufficiency and costs thereof.

- (b) Within thirty (30) days of the date hereof, the parties to the Senior Note Purchase Agreement shall have entered into a waiver or amendment to the Senior Note Purchase Agreement, satisfactory in form and substance to the Administrative Agent, having substantially the same effect on the Senior Note Purchase Agreement and on the rights and remedies of the noteholders thereunder as this Amendment has on the Credit Agreement and the rights and remedies of the Administrative Agent and the Banks under the Credit Agreement; and, for such thirty (30) day period and provided that any holder or holders of more than 50% in principal amount of the Series 2001-A Notes (as such term is defined in the Senior Note Purchase Agreement) have not declared such notes to be due and payable, the failure of such noteholders to enter into such waiver or amendment of the Senior Note Purchase Agreement shall not in and of itself be a Potential Default or Event of Default under the Credit Agreement.
- (c) Within thirty (30) days of the date hereof, the noteholders under the Senior Note Purchase Agreement shall have entered into a collateral agency, sharing and security agreement (or into separate agreements of similar effect) with the Administrative Agent for the benefit of the Banks and the Administrative Agent (and in form and substance satisfactory to the Administrative Agent and the Required Banks) whereby, inter alia, the priority of the Liens of such noteholders on the Collateral shall be *pari passu* (i.e., of equal priority) with the Liens on the Collateral of the Administrative Agent for the benefit of the Banks and itself.
- (d) The Administrative Agent shall have received no later than sixty (60) days (subject to extension by the Administrative Agent in its reasonable judgment based on the availability of Inventory Appraisers and Field Examiners) from the date hereof (i) an appraisal of the value of the inventory of the Loan Parties, in form and substance satisfactory to Administrative Agent (and setting forth, inter alia, the liquidation value of such inventory) conducted by an independent inventory appraiser retained by Administrative Agent or its counsel after consultation with Borrower ("INVENTORY APPRAISER"), and (ii) an independent

field audit of the assets and operations of the Loan Parties, in form and substance satisfactory to Administrative Agent, conducted by an independent field examiner retained by Administrative Agent or its counsel after consultation with Borrower ("FIELD EXAMINER"). The Borrower and each Guarantor shall fully cooperate with the Inventory Appraiser and Field Examiner in all respects. The Borrower unconditionally agrees to pay or reimburse and hold the Administrative Agent, its counsel, and the Banks harmless against all expenses, disbursements, and claims for payment of fees and expenses of the Inventory Appraiser and Field Auditor, which fees and expenses shall be reimbursable expenses in accordance with Sections 9.5 and 10.3 of the Credit Agreement. The Administrative Agent shall provide copies of such inventory appraisal and field audit to the Banks promptly upon receipt.

- (e) At all times, the Administrative Agent for the benefit of itself and the Banks shall have a perfected security interest in the Collateral subject to no Liens other than Permitted Liens.
- (f) Within twenty (20) days of the date hereof, the Borrower and the Guarantors shall each have furnished to the Administrative Agent for the benefit of the Banks and itself a certified copy of the resolutions adopted by its board of directors or governing body authorizing the Borrower and the Guarantors, as the case may be, to execute, deliver, and perform their respective obligations under this Amendment, and a certificate of the incumbency of the officers authorized to execute and deliver the Amendment and the other Loan Documents relating hereto on behalf of the Borrower and the Guarantors, together with the true signature of such officers, and together with certified articles or certificates of incorporation and bylaws or codes of regulations.
- (g) Within twenty (20) days of the date hereof, the Borrower and the Guarantors shall have furnished to the Administrative Agent and the Banks the written opinion of counsel to the Borrower and the Guarantors upon which the Administrative Agent and the Banks may rely and which shall be in form and substance satisfactory to the Administrative Agent and contain the following opinions:
 - (i) the Borrower and the Guarantors are duly organized and validly existing under the Laws of the jurisdictions under which they are organized and are in good standing under such Laws and under the Laws of those additional jurisdictions in which the conduct of their business would make such Laws applicable;
 - (ii) the Borrower and the Guarantors and their officers have the power and authority to execute, deliver, and perform this Amendment and the Loan Documents related thereto and have taken all necessary action to authorize the execution, delivery, and performance of this Amendment and such Loan Documents;
 - (iii) this Amendment and the security agreement(s) relating to the Collateral have been duly executed and delivered on behalf of the Borrower and the Guarantors and constitute valid, enforceable, and binding obligations

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of the Borrower and the Guarantors in accordance with their respective terms and do not violate any Law or the Senior Note Purchase Agreement, and the Administrative Agent on behalf of itself and the Banks have a valid and perfected security interest in the Collateral; and

- (iv) to the knowledge of such counsel there is no action, suit, or proceeding pending, or to the knowledge of such counsel threatened against the Borrower or the Guarantors, in any court or before or by any governmental instrumentality, whether federal, state, county or municipal, except as set forth on an exhibit annexed to the opinion letter.

- (h) At any time, the Borrower and the Guarantors shall agree to permit the Administrative Agent or its counsel to retain financial consultants and other professionals to assist in evaluating the financial condition of the Loan Parties, and each of the Borrower and each Guarantor shall fully cooperate with the financial consultants and other professionals engaged by Administrative Agent or its counsel in connection with the review by such professionals of the financial statements and operations of the Loan Parties. The Borrower shall unconditionally agree to pay and reimburse and hold the Administrative Agent and its counsel harmless against all expenses, disbursements, and claims of for payment of fees and expenses of such financial consultants and other professionals, which fees and expenses shall be reimbursable expenses in accordance with Sections 9.5 and 10.3 of the Credit Agreement.
- (i) Borrower agrees that the Administrative Agent shall have the right periodically (subject to (i) the reasonable exercise thereof upon ten (10) days prior written notice to the Borrower or, (ii) upon the occurrence of an Event of Default or Potential Default, the Administrative Agent's sole discretion) to: (i) retain an Inventory Appraiser to conduct an appraisal of the value of the inventory of the Loan Parties, in form and substance satisfactory to Administrative Agent and (ii) retain a Field Examiner to conduct an independent field audit of the assets and operations of the Loan Parties, in form and substance satisfactory to Administrative Agent.
- (j) Borrower shall execute and deliver, or cause to be executed and delivered to the Administrative Agent such documents and agreements, and shall take or cause to be taken such actions, as the Administrative Agent may, from time to time reasonably request to carry out the terms and conditions of this Amendment and the other Loan Documents.

5. Representations and Warranties. Each of the Loan Parties hereby represents and warrants to the Banks, after giving effect to this Amendment, as follows:

A. The representations and warranties of the Loan Parties contained in the Credit Agreement and the other Loan Documents, are true and correct on and as of the date hereof with the same force and effect as though made by the Loan Parties on such date, except to the extent that any such representation or warranty expressly relates solely to a previous date; and

B. Each of the Loan Parties is in compliance with all terms, conditions, provisions, and covenants contained in the Credit Agreement and the other Loan Documents and the execution,

delivery, and performance of this Amendment and the other Loan Documents related hereto has been duly authorized by all necessary corporate action, requires no governmental approval, and will neither contravene, conflict with, nor result in the breach of any law, charter, articles, or certificate of incorporation, bylaws, code of regulations, or agreement governing or binding upon such Loan Party or any of its property; and, no Event of Default or Potential Default after giving effect hereto has occurred and is continuing or would result from the making of this Amendment.

6. Amendment. The Credit Agreement and other Loan Documents referred to herein and certain of the exhibits and schedules thereto are hereby amended in accordance with the terms hereof and any reference to the Credit Agreement or other Loan Documents in any document, instrument, or agreement shall hereafter mean and include the Credit Agreement or such Loan Document, including such schedules and exhibits, as amended hereby. In the event of irreconcilable inconsistency between the terms or provisions hereof and the terms or provisions

of the Credit Agreement or such Loan Document, including such schedules and exhibits, the terms and provisions hereof shall control.

7. Force and Effect. Each of the Loan Parties reconfirms, restates, and ratifies the Credit Agreement and all other documents executed in connection therewith except to the extent any such documents are expressly modified by this Amendment and each of the Loan Parties confirms that all such documents have remained in full force and effect since the date of their execution.

8. Governing Law. This Amendment shall be deemed to be a contract under the laws of the State of 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.

9. Counterparts; Telecopy. This Amendment may be signed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of executed signature pages by facsimile transmission will constitute effective and binding execution and delivery.

10. This Amendment Included in Loan Documents. The Borrower and the Guarantors acknowledge and agree that this Amendment and each other document, instrument, and agreement referred to herein are Loan Documents as such term is used in the Credit Agreement.

11. Release; No Discharge. As additional consideration for the Administrative Agent's and the Banks' entering into this Amendment, the Borrower and the Guarantors each hereby fully and unconditionally release and forever discharge the Administrative Agent and the Banks, their agents, employers, directors, officers, attorneys, branches, affiliates, subsidiaries, successors, and assigns and all persons, firms, corporations, and organizations acting on any of their behalves (the "RELEASED PARTIES") of and from any and all claims, liabilities, demands, obligations, damages, losses, actions, and causes of action whatsoever which the Borrower or any of the Guarantors may now have or claim to have against the Administrative Agent or any Bank or any other Released Parties as of the date hereof, whether presently known or unknown and of any nature and extent whatsoever, including, without limitation, on account of or in any way affecting, concerning or arising out of or founded upon this Amendment or the other Loan Documents, including but not limited to all such loss or damage of any kind heretofore sustained or that may arise as a consequence of the dealings between the parties up to and including the date hereof, including but not limited to, the administration or enforcement of the Loans, the Notes, the Obligations, this Amendment, the Credit Agreement, or any other Loan Documents. The obligations of the Borrower and the Guarantors under the Loan Documents and this Amendment shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, discharged, or in any way affected by any one or more:

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- (a) exercise or nonexercise of any right, remedy, power or privilege under or in respect of this Amendment, any other Loan Document, any document relating to or evidencing any of the Administrative Agent's or Banks' Liens or applicable Law, including, without limitation, any waiver, consent, modification, amendment, release, impairment, extension, indulgence, or other action or inaction in respect thereof; or
- (b) other act or thing or omission or delay to do any other act or thing which could operate to or as a discharge of the Borrower or any Guarantor as a matter of law, other than payment in full of all Obligations, including but not limited to all obligations under the Loan Documents and this Amendment.

12. Termination. Notwithstanding anything contained herein to the contrary, in the event that this Amendment shall be or become void or of no force or effect (whether by the terms hereof, by written agreement of the parties hereto, or otherwise), all provisions hereof pertaining to indemnification, reimbursement,

Collateral, financial consultants, waiver of defenses, waiver of jury trial, limitation of liability, and the like (including without limitation Sections 11, 12, 13, 16, 17, 19, 20, 22-25, 26 and 27) shall survive any such termination.

13. Construction. This Amendment shall not be construed more strictly against the Administrative Agent or any Bank merely by virtue of the fact that this Amendment may have been or has been prepared by the Administrative Agent, the Banks, or their counsel, it being recognized that the Borrower and the Guarantors have contributed substantially and materially to the preparation of this Amendment. The Borrower and the Guarantors acknowledge and waive any claim contesting the existence and the adequacy of the consideration given by any of the other parties hereto for entering into this Amendment. All of the Collateral shall remain in all respects subject to the Lien of the applicable security agreement(s), and nothing herein contained and nothing done pursuant hereto shall affect the Lien of any such Loan Document or the priority thereof. Nothing in this Amendment shall be intended or construed to hold the Administrative Agent or any Bank liable or responsible for any expenses, disbursements, liability, action, inaction, or obligation of any kind or nature whatsoever of the Borrower or any of the Guarantors.

14. Entire Agreement. The Borrower and the Guarantors each acknowledge that there are no other agreements, representations, either or oral or written, expressed or implied, not embodied in this Amendment and the other Loan Documents, which, together, represent a complete integration of all prior and contemporaneous agreements and understandings of the Borrower, the Guarantors, the Administrative Agent, and the Banks.

15. Time is of the Essence. Time shall be of the strictest essence in the performance of each and every one of the Borrower's and the Guarantors' obligations hereunder and under the Loan Documents, including without limitation, the obligations to make payments to the Administrative Agent, to furnish information to the Administrative Agent and the Banks, and to comply with all reporting requirements.

16. No Waiver of Rights Under Loan Documents. Any negotiation heretofore or hereafter and any action undertaken pursuant to this Amendment or any other Loan Document shall not, constitute a waiver or amendment of the Administrative Agent's or any Bank's rights or remedies under the Loan Documents or this Amendment or prejudice the Administrative Agent's or any Bank's rights under the Loan Documents or this Amendment except to the extent specifically set forth herein. No party shall be bound by any oral agreement, and no rights or liabilities, either expressed or implied, shall arise on the part of any party, or any third party, until and unless the agreement on any given issue has been reduced to a

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written agreement executed in accordance with the provisions of Section 10.1 of the Credit Agreement. Furthermore, the parties agree that this Amendment may be amended, replaced, or supplemented only by a written agreement executed in accordance with the provisions of Section 10.1 of the Credit Agreement.

17. Joint and Several Liability; Voluntary Agreement; Indemnity.

(a) The Borrower and the Guarantors each acknowledge and agree that they are jointly and severally liable under this Amendment. The Borrower and the Guarantors represent and warrant that each of them is represented by legal counsel of their choice and that their counsel has had the opportunity to review this Amendment, that each of them is fully aware of the terms contained herein and that each of them has voluntarily and without coercion or duress of any kind or nature whatsoever entered into this Amendment. The provisions of this Amendment shall survive the execution and delivery of this Amendment.

(b) In addition to and not by way of limitation of Sections 9.5 and 10.3 of the Credit Agreement, the Borrower and the Guarantors agree, jointly and severally, to indemnify the Administrative Agent and the Banks (each an "INDEMNITEE") and hold each of the

Administrative Agent and Banks harmless in respect of any and all claims, liabilities, damages, and expenses (including, without limitation attorneys' fees and expenses) asserted by any Person whatsoever or incurred by the Administrative Agent or any Bank arising in connection with the Loan Documents or this Amendment, except that no such indemnification shall be owing to an Indemnitee to the extent of that Indemnitee's gross negligence or willful misconduct. This indemnity agreement shall survive the termination of this Amendment and the Loan Documents and the consummation of the transactions contemplated hereby.

18. Counterparts. This Amendment may be executed in one or more counterparts and by facsimile, each of which shall constitute an original and all of which taken together shall constitute one Amendment. Each party executing this Amendment represents that such party has the full authority and legal power to do so.

19. No Waiver of Remedies. The Administrative Agent and each Bank expressly reserves any and all rights and remedies available to it under this Amendment, the other Loan Documents, any other agreement or at law or in equity or otherwise. No failure to exercise, or delay by the Administrative Agent or any Bank in exercising, any right, power, or privilege hereunder or under this Amendment or any other Loan Document shall preclude any other or further exercise thereof, or the exercise of any other right, power, or privilege. The rights and remedies provided in this Amendment and the other Loan Documents are cumulative and not exhaustive of each other or of any right or remedy provided by law or equity or otherwise. No notice to or demand upon the Borrower or any of the Guarantors in any instance shall, in itself, entitle the Borrower or any of the Guarantors to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of the Administrative Agent or any Bank to any other or further action in any circumstance without notice or demand.

20. No Third Party Beneficiaries. By execution of this Amendment, the Administrative Agent and the Banks do not intend to assume and are not hereby assuming any obligation to any third party. No third party shall be or shall be deemed a beneficiary of this Amendment.

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21. Governing Law and Binding Effect. This Amendment shall be deemed to be a contract under the Laws of the State of Ohio for all purposes shall be governed by and construed and enforced in accordance with the Laws of the State of Ohio, without regard to its conflict of laws principles. This Amendment shall be binding upon and shall inure to the benefit of the Borrower, the Guarantors, the Administrative Agent, the Banks, and their respective successors and assigns; provided, however, that none of the Borrower or any Guarantor may assign any of its rights or duties hereunder without the prior written consent of the Administrative Agent and the Banks.

22. LIMITATION ON DAMAGES. NEITHER THE ADMINISTRATIVE AGENT NOR ANY BANK NOR ANY AGENT OR ATTORNEY FOR OR OF THE ADMINISTRATIVE AGENT OR ANY BANK SHALL BE LIABLE TO THE BORROWER OR ANY OF THE GUARANTORS FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES ARISING FROM ANY BREACH OF CONTRACT, TORT, OR OTHER WRONG RELATING TO THE ESTABLISHMENT, ADMINISTRATION, OR COLLECTION OF THE OBLIGATIONS (AS DEFINED IN THIS AGREEMENT) OR THIS AMENDMENT OR ANY OTHER LOAN DOCUMENT OR THE ACTION OR INACTION OF THE ADMINISTRATIVE AGENT, ANY BANK, THE BORROWER, OR ANY GUARANTOR UNDER THIS AMENDMENT OR ANY OTHER LOAN DOCUMENT OR OTHERWISE.

23. WAIVER OF RIGHT TO TRIAL BY JURY. THE BORROWER AND THE GUARANTORS EACH HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION BASED UPON, RELATING TO OR ARISING UNDER THIS AMENDMENT, ANY OTHER LOAN DOCUMENT, OR ANY OTHER AGREEMENT, DOCUMENT, OR INSTRUMENT DELIVERED IN CONNECTION HERewith OR THEREWITH, OR ANY TRANSACTION RELATED HERETO OR THERETO OR THE SUBJECT MATTER HEREOF OR THEREOF, IN EACH CASE WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND THE BORROWER AND THE GUARANTORS EACH HEREBY AGREE AND CONSENT THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AMENDMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF

THIS SECTION WITH ANY COURT OR OFFICIAL BODY AS WRITTEN EVIDENCE OF THE CONSENT OF THE BORROWER AND THE GUARANTORS TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

THIS WAIVER IS KNOWINGLY, INTENTIONALLY AND VOLUNTARILY MADE BY THE BORROWER AND THE GUARANTORS, AND EACH OF THEM ACKNOWLEDGES THAT NONE OF THE ADMINISTRATIVE AGENT, THE BANKS, NOR ANY PERSON ACTING ON BEHALF OF ANY OF THEM HAS OR HAVE MADE ANY REPRESENTATIONS OF FACT, LAW, OR OTHERWISE TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. THE BORROWER AND THE GUARANTORS EACH FURTHER ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AMENDMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED BY ITS OWN FREE WILL, AND THAT EACH OF THEM HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL. THE BORROWER AND THE GUARANTORS EACH FURTHER ACKNOWLEDGE THAT IT HAS READ AND UNDERSTANDS THE MEANING OF THIS WAIVER PROVISION.

24. CONSENT TO JURISDICTION. THE BORROWER AND THE GUARANTORS EACH HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF THE COURT OF COMMON PLEAS OF FRANKLIN COUNTY, STATE OF OHIO, OR ANY SUCCESSOR

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TO SAID COURT, AND TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO, OR ANY SUCCESSOR TO SAID COURT, AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND AGREES THAT ALL SUCH SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO SUCH PARTY AT THE ADDRESSES PROVIDED FOR IN SECTION 10.6 OF THE CREDIT AGREEMENT AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF. THE BORROWER AND THE GUARANTORS EACH WAIVE 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.

25. Expenses. In addition to and not by way of limitation of Sections 9.5 and 10.3 of the Credit Agreement and the relevant terms hereof, the Borrower and the Guarantors, jointly and severally, agree to reimburse the Administrative Agent and the Banks for all costs and expenses (including, without limitation, all fees and expenses of counsel, financial consultants, accountants, or other professionals with whom the Administrative Agent or any Bank may consult and all expenses and costs of litigation or preparation therefor) arising in connection with any bankruptcy case or similar proceeding involving any Loan Party or any proceeding or matter therein or related thereto and including without limitation any proof of claim, motion, adversary proceeding, plan of reorganization, or discussions, negotiations, settlement talks, or meetings relating thereto, or any appeal, hearing, dispute, claim, action, or the like in any such case or proceeding whether or not relating to this Amendment, the Credit Agreement, or any other Loan Document.

The determination regarding usage of counsel will be in the sole and absolute discretion of each of the Banks and the Administrative Agent, and the legal expenses of all such counsel shall be subject to the reimbursement provisions set forth herein and in the Credit Agreement. The Borrower and the Guarantors each directs and authorizes the Administrative Agent and Banks to debit automatically from any account of the Borrower or any Guarantor maintained at the Administrative Agent or any Bank the amount of all such costs and expenses.

26. Further Assurances. The Borrower and the Guarantors will from time to time, make, do, exercise, and acknowledge, as requested by the Administrative Agent from time to time, such further agreements, certificates, documents, instruments, acts, deeds, conveyances, mortgages, security agreements, financing statements, continuation statements, and other assurances as may be required or requested for the purpose of effectuating the intent hereof and of the Loan Documents.

27. Consent, Agreement and Acknowledgment of Guarantor. The Guarantors each consents and agrees to each and every term and provision of this Amendment, as well as to all actions and transactions contemplated under this Amendment and the execution and delivery of this Amendment, and agrees and acknowledges that payment of all of the obligations of any of the Borrower or any Guarantor and all other Obligations are guaranteed by the Guarantors. Each of the Guarantors further consents and agrees that neither this Amendment nor any actions or transactions contemplated hereunder shall provide any Guarantor with any defense to any obligation of the Guarantor under the Guaranty Agreement.

28. Reservation of Rights as to Other Obligations. Each of the Borrower and the Guarantors acknowledges and agrees that each may have other loans from or obligations to the Administrative Agent or any of the Banks, or any of their Affiliates, other than the Obligations which are the subject of this Amendment (hereinafter, the "OTHER OBLIGATIONS"), which Other Obligations are in no way affected by this Amendment and remain fully enforceable in accordance with their own terms and provisions. Each of the Borrower and the Guarantors hereby agrees that each of the Administrative Agent and each of the

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Banks, by entering into this Amendment, in no way waives, discharges, releases, or compromises any claims, causes of action, or rights as to such Other Obligations, and each of the Borrower and each of the Guarantors agrees and acknowledges that it continues to be liable for payment and performance of such Other Obligations notwithstanding the entry into this Amendment by the Administrative Agent and the Banks.

29. Miscellaneous. This Amendment is made for the sole benefit and protection of the Administrative Agent, the Banks, the Borrower, and the Guarantors and their respective successors and assigns. No other persons shall have any rights whatsoever hereunder. Notices to parties hereunder may be given to them at the addresses and in the manner provided in the Section 10.6 of the Credit Agreement. If any provision of this Amendment is held to be invalid or unenforceable, the remaining provisions shall remain in effect without impairment. All representations and warranties of the Borrower and the Guarantors contained herein or made in connection herewith or in connection with any other Loan Document shall survive the making of and shall not be waived by the execution and delivery of this Amendment, any investigation by the Administrative Agent, or any of the Banks or any other event or condition whatsoever. All obligations of the Borrower and the Guarantors to make payments to the Administrative Agent or the Banks shall survive the termination of all obligations of the Borrower and the Guarantors hereunder and under the Loan Documents, and shall not be affected by reason of an invalidity, illegality, or irregularity of this Amendment or any Loan Document. The covenants and agreements contained in or given pursuant to this Amendment or under any other Loan Document shall continue in force until the payment in full and the discharge of all Obligations of the Borrower and the Guarantors. Unless the context of this Amendment otherwise clearly requires, references to the plural include the singular, the singular the plural, and the part the whole and "or" has the inclusive meaning represented by the phrase "and/or". The words "hereof", "herein", "hereunder", and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The section and other headings contained in this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any respect. Section and subsection references are to this Amendment unless otherwise specified.

[SIGNATURE PAGES FOLLOW]

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[SIGNATURE PAGE 1 OF 19 TO SECOND AMENDMENT]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Amendment to be executed and delivered as of the day and year first above written.

BORROWER:

BIG LOTS STORES, INC. (formerly CONSOLIDATED STORES CORPORATION, an Ohio corporation)

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor
Title: Senior V.P., CFO

[SIGNATURE PAGE 2 OF 19 TO SECOND AMENDMENT]

GUARANTORS:

BIG LOTS, INC., an Ohio corporation (formerly
CONSOLIDATED STORES CORPORATION, a Delaware
corporation)

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

MAC FRUGAL'S BARGAINS o CLOSE-OUTS, INC., a
Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

TRO, INC., an Illinois corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

CAPITAL RETAIL SYSTEMS, INC., an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

PNS STORES, INC., a California corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

[SIGNATURE PAGE 3 OF 19 TO SECOND AMENDMENT]

WEST COAST LIQUIDATORS, INC., a California
corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

C.S. ROSS COMPANY, an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

CSC DISTRIBUTION, INC., an Alabama corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

CLOSEOUT DISTRIBUTION, INC., a Pennsylvania corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

INDUSTRIAL PRODUCTS OF NEW ENGLAND, INC., a Maine corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

[SIGNATURE PAGE 4 OF 19 TO SECOND AMENDMENT]

TOOL AND SUPPLY COMPANY OF NEW ENGLAND, INC.,
a Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

MIDWESTERN HOME PRODUCTS, INC., a Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

MIDWESTERN HOME PRODUCTS COMPANY, LTD., an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

CONSOLIDATED PROPERTY HOLDINGS, INC., a Nevada corporation

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

GREAT BASIN LLC, a Delaware limited liability

company

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

[SIGNATURE PAGE 5 OF 19 TO SECOND AMENDMENT]

SONORAN LLC, a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

SAHARA LLC, a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

DURANT DC, LLC (formerly DDC, LLC), a Delaware
limited liability company

By: /s/ Jeffrey G. Naylor

Title: Senior V.P., CFO

[SIGNATURE PAGE 6 OF 19 TO SECOND AMENDMENT]

ADMINISTRATIVE AGENT:

NATIONAL CITY BANK, individually and as
Administrative Agent, Lead Arranger and
Managing Agent

By: /s/ Ralph Kaparos

Name: Ralph Kaparos
Title: Senior Vice President

[SIGNATURE PAGE 7 OF 19 TO SECOND AMENDMENT]

SYNDICATION AGENT:

FLEET NATIONAL BANK, individually and as
Syndication Agent and a Managing Agent

By: /s/ Linda E.C. Alto

Name: Linda E.C. Alto

Title: Director

[SIGNATURE PAGE 8 OF 19 TO SECOND AMENDMENT]

OTHER AGENTS:

FIRST UNION NATIONAL BANK, individually and as
Documentation Agent and a Managing Agent

By: /s/ Mark S. Supple

Name: Mark S. Supple
Title: Vice President

[SIGNATURE PAGE 9 OF 19 TO SECOND AMENDMENT]

PNC BANK, NATIONAL ASSOCIATION,
individually and as a Documentation Agent and
a Managing Agent

By: /s/ Bruce A. Kintner

Name: Bruce A. Kintner
Title: Vice President

[SIGNATURE PAGE 10 OF 19 TO SECOND AMENDMENT]

BANK OF AMERICA, N.A., individually and as a
Managing Agent

By: /s/ Amy Krovocheck

Name: Amy Krovocheck
Title: Vice President

[SIGNATURE PAGE 11 OF 19 TO SECOND AMENDMENT]

THE BANK OF NEW YORK, individually and as a
Managing Agent

By: /s/ William M. Barnum

Name: William M. Barnum
Title: Vice President

[SIGNATURE PAGE 12 OF 19 TO SECOND AMENDMENT]

U.S. BANK NATIONAL ASSOCIATION (formerly FIRSTAR
BANK, N.A.), individually and as a Managing Agent

By: /s/ Thomas L. Bayer

Name: Thomas L. Bayer
Title: Vice President

[SIGNATURE PAGE 13 OF 19 TO SECOND AMENDMENT]

OTHER BANKS:

GUARANTY BANK

By: /s/ Scott Brewer

Name: Scott Brewer
Title: Vice President

[SIGNATURE PAGE 14 OF 19 TO SECOND AMENDMENT]

HIBERNIA NATIONAL BANK

By: /s/ Andrew B. Booth

Name: Andrew B. Booth
Title: Vice President

[SIGNATURE PAGE 15 OF 19 TO SECOND AMENDMENT]

LASALLE BANK NATIONAL ASSOCIATION

By: /s/ David M. Bacon

Name: David M. Bacon
Title: Loan Officer

[SIGNATURE PAGE 16 OF 19 TO SECOND AMENDMENT]

THE FIFTH THIRD BANK, CENTRAL OHIO

By: /s/ Kim Dennis

Name: Kim Dennis
Title: Assistant Vice President Commercial Lending

[SIGNATURE PAGE 17 OF 19 TO SECOND AMENDMENT]

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Steven M. Buehlel

Name: Steven M. Buehlel
Title: Vice President

By: /s/ Melissa Nachman

Name: Melissa Nachman
Title: Vice President

[SIGNATURE PAGE 18 OF 19 TO SECOND AMENDMENT]

THE HUNTINGTON NATIONAL BANK

By: /s/ Mark A. Koscielski

Name: Mark A. Koscielski
Title: Vice President

[SIGNATURE PAGE 19 OF 19 TO SECOND AMENDMENT]

SOUTHTRUST BANK

By: /s/ Jon R. Hauseman

Name: Jon R. Hauseman
Title: Group Vice President

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of February 25, 2002 (as restated, amended, modified, or supplemented from time to time, this "AGREEMENT"), is given, jointly and severally, by Big Lots Stores, Inc., an Ohio corporation (formerly known as Consolidated Stores Corporation, an Ohio corporation), Big Lots, Inc. (formerly known as Consolidated Stores Corporation, a Delaware corporation), a Delaware corporation, Mac Frugal's Bargains o Close-Outs, Inc., a Delaware corporation, Capital Retail Systems, Inc., an Ohio corporation, PNS Stores, Inc., a California corporation, West Coast Liquidators, Inc., a California corporation, C.S. Ross Company, an Ohio corporation, CSC Distribution, Inc., an Alabama corporation, Closeout Distribution, Inc., a Pennsylvania corporation, Industrial Products of New England, Inc., a Maine corporation, Tool and Supply Company of New England, Inc., a Delaware corporation, Midwestern Home Products, Inc., a Delaware corporation, Midwestern Home Products Company, Ltd., an Ohio corporation, Consolidated Property Holdings, Inc., a Nevada corporation, Great Basin LLC, a Delaware limited liability company, Sonoran LLC, a Delaware limited liability company, and Sahara LLC, a Delaware limited liability company, and Durant DC, LLC (f/k/a DDC, LLC), a Delaware limited liability company, and any other of the undersigned parties listed as Debtors on the signature pages hereto and each of the other persons and entities that become bound hereby as a Debtor from time to time by joinder, assumption, or otherwise (each of the foregoing, a "DEBTOR" and all of the foregoing, collectively the "DEBTORS"), in favor of National City Bank, as agent (the "AGENT") for the Banks (as defined below).

WITNESSETH:

WHEREAS, the Debtors are jointly and severally party as the Borrower and Guarantors to that Credit Agreement, dated as of May 8, 2001, as amended by that First Amendment to Credit Agreement, dated as of October 20, 2001, and as further amended by that Second Amendment, dated as of the date hereof (as so amended and as the same may be amended, restated, refinanced, modified, supplemented, or the like from time to time, the "CREDIT AGREEMENT"), among Big Lots Stores, Inc., an Ohio corporation (formerly known as Consolidated Stores Corporation) (the "BORROWER"), each of the Guarantors from time to time party to the Credit Agreement, the Banks from time to time party to the Credit Agreement (the "BANKS"), National City Bank, as Administrative Agent for the Banks, Lead Arranger, and a Managing Agent, Fleet National Bank, as Syndication Agent and a Managing Agent, PNC Bank, National Association, and First Union National Bank, as Documentation Agents and Managing Agents, and Bank of America, N.A., The Bank of New York, and U.S. Bank National Association (formerly known as Firststar Bank, N.A.), as Managing Agents;

WHEREAS, pursuant to the Credit Agreement, the Agent and the Banks have agreed to make certain revolving credit loans, issue letters of credit, and make other financial accommodations to or for the Debtors; and

WHEREAS, to induce the Banks and Agent to enter into the Second Amendment dated as of the date hereof, the parties desire that all obligations, liabilities, and indebtedness of the Debtors under the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement) be secured by security interests in the Collateral (defined below at Section 1(b)) as more fully set forth below.

NOW, THEREFORE, intending to be legally bound hereby and incorporating the above-defined terms herein, the parties hereto covenant and agree as follows:

1. Definitions. Except as set forth in this Agreement, terms defined in the Credit Agreement and not otherwise defined herein are used herein as defined in the Credit Agreement. The term "including" when used herein shall have the meaning represented by the phrase "including without limitation". The following words and terms shall have the following respective meanings unless the context hereof otherwise clearly requires:

(a) "Accounts" means all now owned or hereafter acquired or arising accounts, as defined in the UCC, of each Debtor, including any rights to payment for the sale or lease of goods or rendition of services, whether or not they have been earned by performance, together with all products and proceeds of any of the foregoing.

(b) "Collateral" means all Accounts, Inventory, and General Intangibles of each Debtor together with all present and future business records and information relating to any of the Accounts, Inventory, or General Intangibles of each Debtor, including computer tapes and other storage media containing the same and computer programs and software (including source code, object code and related manuals and documentation and all licenses to use such software) for accessing and manipulating such information.

(c) "Debt" means (i) all now existing and hereafter arising indebtedness, liabilities, and obligations of each and every of the Debtors to the Agent or any of the Banks under the Credit Agreement or any of the other Loan Documents, including the Debt, whether for principal, interest, fees, expenses, or otherwise of each and every of the Debtors to the Agent or the Banks, now existing or hereafter incurred or arising under the Credit Agreement, the Notes, the Guaranty, or any of the other Loan Documents, and as any of the same may from time to time be amended, restated, modified, or supplemented, together with any and all extensions, renewals, refinancings, and refundings thereof in whole or in part; (ii) all reimbursement and other obligations of each and every Debtor with respect to any one or more Letters of Credit issued by Agent or any Bank; and (iii) any sums advanced by the Agent or any of the Banks or which may otherwise become due pursuant to the provisions of the Credit Agreement, the Notes, or this Agreement, or any other Loan Document, or pursuant to any other document or instrument at any time delivered to the Agent in connection therewith, including fees and charges and indemnification obligations, and all interest payable on any of the foregoing in all cases, whether such sums are advanced or otherwise become due before or after the entry of any judgment for foreclosure or any judgment on any Loan Document or with respect to any default under any of the Debt.

(d) "General Intangibles" means all now owned or hereafter acquired or arising general intangibles, as defined in the UCC, of each Debtor, together with all products and proceeds of any of the foregoing.

(e) "Inventory" means all now owned or hereafter acquired inventory (as defined in the UCC), goods, merchandise, and other personal property of each Debtor, wherever located, held for sale or lease or which are or might be furnished under any contract of service, all raw materials, work in process, finished goods (including embedded software), returned goods, and materials and supplies of any kind, nature or description which are or might be used or consumed in the business of each Debtor or used in connection with the manufacture, packing, shipping, advertising, selling or finishing of such goods, such merchandise or such other personal property, and all documents of title or other documents representing them, together with all products and proceeds of any of the foregoing.

(f) "UCC" means the Uniform Commercial Code, as in effect from time to time, of the State of Ohio or of any other state the laws of which are required as a result thereof to be applied in connection with the issue of perfection of security interests; provided, that to the extent that the UCC is

used to define any term herein or in any other documents and such term is defined differently in different Articles or Divisions of the UCC, the definition of such term contained in Article or Division 9 shall govern.

2. Creation of Security Interests. As security for the due and punctual payment and performance of the Debt in full, each Debtor hereby grants to and creates in favor of the Agent for the benefit of the Banks and Agent a continuing lien on and security interest in and to the Collateral. Without limiting the generality of any of the following Sections below each Debtor hereby authorizes (i) the execution and filing of all financing statements by Agent on behalf of the Banks and Agent, without the execution thereof by any Debtor, naming the Debtors as "debtors," and (ii) the exercise of "control," as such term is defined in Article 9 of the UCC, over the Collateral in order to fully perfect the security interests therein;

3. Representations and Warranties. Each Debtor represents and warrants to the Agent and the Banks that (a) each Debtor owns its Collateral, (b) except for the security interest granted to and created in favor of the Agent for the benefit of itself and the Banks hereunder and Permitted Liens, all the Collateral is free and clear of any Lien, (c) each Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein, (d) each material Account is genuine and enforceable in accordance with its terms and such Debtor will defend the same against all claims, demands, recoupment, setoffs, and counterclaims at any time asserted and no material Account will be subject to any material claim for credit, allowance, setoff, recoupment, defense, counterclaim, or adjustment by any account debtor, and (e) the exact legal name, the state of incorporation, formation or organization, as applicable, the address and all other information of such Debtor is as set forth on Schedule A hereto.

4. Protection and Maintenance of Liens. Each Debtor will faithfully preserve, defend, and protect the Agent's security interest in the Collateral as a perfected security interest, superior and prior to the rights of all third Persons, except for holders of Permitted Liens, and will do all such other acts and things and will, upon request therefor by the Agent, execute, deliver, file and record, and such Debtor hereby authorizes the Agent to so file, all such other documents and instruments, including financing statements, security agreements, assignments and documents and powers of attorney with respect to the Collateral, and pay all filing fees and taxes related thereto (with prompt reimbursement by Borrower), as the Agent in its reasonable discretion may deem necessary or advisable from time to time in order to attach, continue, preserve, perfect, and protect said security interest; and, each Debtor hereby irrevocably appoints the Agent, its officers, employees and agents, or any of them, as attorneys-in-fact for such Debtor to execute, deliver, file, and record such items for such Debtor and in such Debtor's name, place and stead. This power of attorney, being coupled with an interest, shall be irrevocable for the life of this Agreement.

5. Covenants. Each Debtor covenants and agrees that:

(a) it will not suffer or permit to exist on any Collateral any Lien except for Permitted Liens;

(b) it shall bear the full risk of any loss of any nature whatsoever with respect to the Collateral owned by it and at its own cost and expense in amounts and with financially sound and reputable insurers, and each Debtor shall (a) keep its Inventory insured against such hazards, and for such amounts, as is customary in the case of companies engaged in businesses similar to such Debtor's (it is acknowledged by the Agent that the insurance presently maintained by the Debtors is acceptable for such purposes); (b) furnish Agent with (i) evidence of the maintenance of such insurance and (ii) appropriate

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loss payable endorsements in form and substance satisfactory to Agent, naming Agent (or any collateral agent for Agent) as a loss payee as its interests may appear with respect to all insurance coverage of the Inventory, and providing (A) that such policy and loss payable clauses may not be cancelled, amended or terminated unless at least thirty (30) days' prior written notice is given to Agent; and, if any Debtor fails to obtain insurance as hereinabove provided, or to keep the same in force, Agent, if Agent so elects, may obtain such insurance and pay the premium therefor on behalf of such Debtor, and add all liabilities, obligations, costs, and expenses reasonably incurred in connection with such insurance to the Debt, to be paid by the Debtors to the Agent for the benefit of the Agent and the Banks upon demand;

(c) it will not sell, assign or otherwise dispose of any portion of the Collateral except as permitted in Section 7.2.7 [Disposition of Assets or Subsidiaries] of the Credit Agreement and Section 10.5 of the Senior Note Purchase Agreement;

(d) it will maintain materially accurate and complete books and records concerning the Collateral and such other books and records as the Agent may from time to time reasonably require;

(e) it will promptly furnish to the Agent such documents and

papers relating to the Collateral as the Agent may reasonably request, including all invoices, documents of title and other shipping and related documents, contracts, and other writings pertaining to such Debtor's Inventory or contracts or the performance thereof;

(f) to the extent Inventory held for sale or lease has been produced by any Debtor, it has been and will be produced by such Debtor in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders thereunder.

(g) if any material Account arises out of contracts with the United States or any department, agency, or instrumentality thereof or any one or more of the states of the United States or any department, agency, or instrumentality thereof, it will upon request of the Agent, execute any instruments and take any steps required by the Agent so that all monies due and to become due under such contract shall be assigned (to the extent permitted by Law and taking into account any necessity for consent as required by the contracts and not otherwise made ineffective by Law) to the Agent and notice of the assignment given to and acknowledged by the appropriate government agency or authority under the Federal Assignment of Claims Act or similar applicable state law; and

(h) such Debtor will not change its name or state of incorporation, formation, or organization, as applicable, from that set forth on Schedule A hereto without providing thirty (30) days prior written notice to the Agent.

6. Custody. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession, if any, if the Agent takes such action for that purpose as such Debtor shall request in writing, provided that such requested action shall not, in the judgment of the Agent, impair the security interest in or lien on the Collateral or the Agent's or the Banks' rights in, or the value of, the Collateral, and provided further that such written request is received by the Agent in sufficient time to permit the Agent to take the requested action.

7. Protection of Liens and Collateral.

(a) At any time and from time to time whether or not an Event of Default then exists and without prior notice to or consent of any Debtor, the Agent may at its option take such actions as the Agent deems appropriate (i) to attach, perfect, continue, and preserve the Agent's and the Banks'

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perfected security interest in or lien on the Collateral, and (ii) to add all liabilities, obligations, costs, and expenses reasonably incurred in connection with clause (i) to the Debt, to be paid by the Debtors to the Agent for the benefit of the Agent and the Banks upon demand; and

(b) At any time and from time to time after an Event of Default exists and is continuing and without prior notice to or consent of any Debtor, the Agent may at its option take such action as the Agent deems appropriate (i) to maintain, repair, protect, and insure the Collateral, (ii) to perform, keep, observe, and render true and correct any and all covenants, agreements, representations, and warranties of any Debtor hereunder, and (iii) to add all liabilities, obligations, costs, and expenses reasonably incurred in connection with the foregoing clauses (i) and (ii) to the Debt, to be paid by any Debtor to the Agent for the benefit of the Agent and the Banks upon demand.

8. After Default. After there exists any Event of Default which is continuing under the Credit Agreement:

(a) The Agent may request, without limiting the rights and remedies of the Agent on behalf of itself and the Banks otherwise provided hereunder or under the other Loan Documents, that each Debtor do any of the following: (i) give the Agent on behalf of itself and the Banks specific assignments of the material accounts receivable of such Debtor after such accounts receivable come into existence, and schedules of such accounts receivable, the form and content of such assignment and schedules to be reasonably satisfactory to Agent, and (ii) in order to better secure the Agent on behalf of itself and the Banks, to the extent permitted by Law, enter into

such lockbox agreements and establish such lockbox accounts as the Agent may require, with the local banks in areas in which the Debtors may be operating (in such cases, all local lockbox accounts shall be depository transfer accounts titled in a manner acceptable to the Agent to indicate that the accounts are established in trust for the benefit of the Agent and the holders of the Notes issued under the Senior Note Purchase Agreement) which local banks shall have agreed to in writing to the Agent's requirements for the handling of such accounts and the transfer of account funds to the Agent on behalf of itself and the Banks, all at the sole expense of such Debtor, and shall direct all payments from all commercial payors and all other payors due to such Debtor, to such lockbox accounts.

(b) in addition to the rights and remedies set forth herein, Agent: (a) may from time to time take such steps as Agent deems necessary to protect Agent's interest in and to preserve the Collateral, including the hiring of such security guards or the placing of other security protection measures as Agent may deem appropriate; (b) may employ and maintain at any of any Debtor's premises a custodian who shall have full authority to do all acts necessary to protect Agent's interests in the Collateral; (c) may lease warehouse facilities to which Agent may move all or part of the Collateral; (d) may use any Debtor's owned or leased lifts, hoists, trucks and other facilities or equipment for handling or removing the Collateral; (e) may pursue landlords' or mortgagees' lien waivers with respect to each premises on which any of the Collateral is now or hereafter located and, in furtherance thereof, the Debtors agree to fully assist and cooperate with the Agent in such endeavor, and (f) shall have, and is hereby granted, a right of ingress and egress to the places where the Collateral is located, and may proceed over and through any of Debtor's owned or leased property; and, each Debtor shall cooperate fully with all of Agent's efforts to preserve the Collateral and will take such actions to preserve the Collateral as Agent may direct; and, all of Agent's expenses of preserving the Collateral, including any expenses relating to the bonding of a custodian, shall be and become a part of the Debt secured hereby.

(c) The Agent shall have and may exercise all the rights and remedies available to a secured party under the UCC in effect at the time, and such other rights and remedies as may be provided by Law and as set forth below, including to take over and collect all of any Debtor's Collateral, and to

this end each Debtor hereby appoints the Agent, its officers, employees and agents, as its irrevocable, true and lawful attorneys-in-fact with all necessary power and authority to, after an Event of Default: (i) take possession immediately, with or without notice, demand, or legal process, of any or all of the Collateral wherever found, and for such purposes, enter upon any premises upon which the Collateral may be found and remove the Collateral therefrom, (ii) require any Debtor to assemble the Collateral and deliver it to the Agent or to any place designated by the Agent at such Debtor's expense, (iii) demand and direct account debtors to make payment to Agent for the Banks of the Accounts, (iv) enforce payment of the material Accounts by legal proceedings or otherwise, (v) exercise all of any Debtor's rights and remedies with respect to the collection of material Accounts, (vi) settle, adjust, compromise, extend or renew the Accounts, (vii) settle, adjust or compromise any legal proceedings brought to collect material Accounts, (viii) to the extent permitted by applicable Law, sell or assign material Accounts upon such terms, for such amounts and at such time or times as the Agent deems advisable, (ix) discharge and release material Accounts, (x) take control, in any manner, of any item of payment or proceeds from any account debtor, (xi) prepare, file and sign any Debtor's name on any Proof of Claim in Bankruptcy or similar document against any account debtor, (xii) prepare, file, and sign any Debtor's name on any notice of Lien, assignment, or satisfaction of Lien or similar document in connection with material Accounts, (xiii) do all acts and things necessary, in the Agent's sole discretion, to fulfill any of any Debtor's obligations to the Agent or the Banks under the Credit Agreement, Loan Documents, or otherwise, (xiv) endorse the name of any Debtor upon any check, chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to Inventory or material Accounts; (xv) access and use the information recorded on or contained in any data processing equipment or computer hardware or software relating to the Inventory, material Accounts, or other Collateral or proceeds thereof to which any Debtor has access, (xvi) demand, sue for, collect, compromise, and give acquittances for any and all Collateral, (xix) prosecute, defend, or compromise any action, claim or

proceeding with respect to any of the Collateral, and (xx) take such other action as the Agent may deem appropriate, including extending or modifying the terms of payment of any Debtor's debtors. This power of attorney, being coupled with an interest, shall be irrevocable for the life of this Agreement. To the extent permitted by Law, each Debtor hereby waives all claims of damages due to or arising from or connected with any of the rights or remedies exercised by the Agent pursuant to this Agreement, except claims arising from gross negligence or willful misconduct by the Agent. The Agent hereby accepts this power of attorney and all powers granted hereunder for the benefit of the Agent and the Banks.

(d) The Agent shall have the right to lease, sell, or otherwise dispose of all or any of the Collateral at public or private sale or sales for cash, credit or any combination thereof, with such notice as may be required by Law (it being agreed by each Debtor that, in the absence of any contrary requirement of Law, ten (10) days' prior notice of a public or private sale of Collateral shall be deemed reasonable notice, except as to that part of the Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market in which case no notice shall be required,)), in lots or in bulk, for cash or on credit, all as the Agent, in its sole discretion, may deem advisable. Such sales may be adjourned from time to time with or without notice. The Agent shall have the right to conduct such sales on any Debtor's premises or elsewhere and shall have the right to use any Debtor's premises without charge for such sales for such time or times as the Agent may see fit.

9. Application of Proceeds. Any of the Collateral or proceeds thereof held or realized upon at any time by the Agent shall be applied as set forth in Section 8.2.5 [Application of Proceeds] of the Credit Agreement. Each Debtor shall remain liable to the Agent and the Banks for and shall pay to the Agent for the benefit of the Agent and the Banks any deficiency which may remain after such sale or collection.

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10. Lease of Debtors Premises. If the Agent repossesses or seeks to repossess any of the Collateral pursuant to the terms hereof because of the occurrence of an Event of Default, then to the extent it is commercially reasonable for the Agent to store any Collateral on any of any Debtor's premises, each Debtor hereby agrees to lease to the Agent on a month-to-month tenancy for a period not to exceed one hundred eighty (180) days at the Agent's election, at a rental of One Dollar (\$1.00) per month, the premises on which the Collateral is located, provided it is located on premises owned or leased by such Debtor.

11. Termination. Upon indefeasible payment in full of the Debt, the expiration of all Commitments and Letters of Credit, and termination of the Credit Agreement, this Agreement shall terminate and be of no further force or effect, and the Agent shall thereupon promptly return to each Debtor such of the Collateral and such other documents delivered by such Debtor hereunder as may then be in the Agent's possession subject to the rights of third parties. Until such time, however, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

12. Waivers.

(a) No failure or delay on the part of the Agent in exercising any right, remedy, power, or privilege hereunder shall operate as a waiver thereof or of any other right, remedy, power, or privilege of the Agent hereunder; nor shall any single or partial exercise of any such right, remedy, power, or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. No waiver of a single Event of Default shall be deemed a waiver of any other or subsequent Events of Default. All waivers under this Agreement must be in writing and executed by Agent on behalf of the Banks and Agent. The rights and remedies of the Agent under this Agreement are cumulative and in addition to any rights or remedies which it may otherwise have, and the Agent may enforce any one or more remedies hereunder successively or concurrently at its option.

(b) Without releasing or diminishing any obligations of any Debtor, Agent at any time and from time to time may release or impair any portion or portions of the Collateral from the liens and security interests of

Agent therein, may take, impair, or release any other collateral for any Debt secured thereby, may release, impair, or discharge any Debt of any Debtor may waive, impair, or fail to enforce any of Agent's rights under this Agreement or any of the other Loan Documents, may grant extensions, renewals, indulgences, and leniencies with respect to any of the Debt or with respect to any of the obligations of the Debtors and may apply to the Debt in such order as Agent shall elect the proceeds of Collateral or any amount received in connection therewith or in connection with any other Loan Document, without resort or regard to other Collateral or any Debtor, and each Debtor hereby consents to all of the foregoing. Any and all defenses which any Debtor may now or hereafter have based on principles of suretyship, impairment of collateral, or the like are hereby waived. Agent hereby expressly reserves its rights against each Debtor.

(c) Each Debtor hereby waives, surrenders, and agrees not to claim or enforce, so long as any Debt, Commitment, or Letter of Credit exists: (a) any right to be subrogated in whole or in part to any right or claim of any holder of any of the Debt, and (b) any right to require the marshalling of any assets of any Debtor, which right of subrogation or marshalling might otherwise arise for any reason including from any payment upon any of the Debt arising out of the enforcement of the security interest granted hereby to Agent, or the liquidation of or realization upon the Collateral, any other collateral

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granted by any Debtor or by any other person or entity to Agent, or any part thereof, or by the payment of any amounts owing hereunder or under the Debt.

13. Notices. All notices, statements, requests, and demands given to or made upon either party hereto in accordance with the provisions of this Agreement shall be given or made as provided in Section 11.6 [Notices] of the Credit Agreement.

14. Security Interest Data Schedule. Within thirty (30) days of the date hereof, each Debtor agrees to provide the Agent with a listing of all of its offices, stores, warehouses and other locations where any of the Collateral is stored or maintained, stating in case (1) the address of such premises, (2) whether the premises is owned or leased by such Debtor, (3) if the premises are leased, the name and address of the landlord, (4) the type and use of the facility, and (5) such other information as may be reasonably requested by the Agent. Each Debtor shall promptly notify the Agent of any changes in the information set forth thereon.

15. Specific Enforcement. Each Debtor acknowledges that the provisions hereof and of the Credit Agreement giving the Agent rights of access to books, records, and information concerning the Collateral and such Debtor's operations and providing the Agent access to such Debtor's premises are a material right of Agent and the Banks. Each Debtor further acknowledges that, should such Debtor at any time fail to promptly provide such information and access to the Agent as provided for herein or in the Credit Agreement, the Agent would have no adequate remedy at Law to promptly obtain the same. Each Debtor agrees that such provisions hereof and of the Credit Agreement may be specifically enforced by the Agent and waives any claim or defense in any such action or proceeding that the Agent has an adequate remedy at Law.

16. Exculpation of Liability. Nothing herein contained shall be construed to constitute Agent or any Bank as any Debtor's agent for any purpose whatsoever, nor shall Agent or any Bank be responsible or liable, in the absence of the Agent's or any Bank's gross negligence or willful misconduct, for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof. Neither Agent nor any Bank, whether by anything herein or in any assignment or otherwise, assume any of any Debtor's obligations under any contract or agreement assigned to Agent or such Bank, and neither Agent nor any Bank shall be responsible in any way for the performance by any Debtor of any of the terms and conditions thereof.

17. Successors. This Agreement shall be binding upon and inure to the benefit of the Agent, the Banks and their respective successors and assigns, and each Debtor and each of its respective successors and assigns, except that no Debtor may assign or transfer such Debtor's obligations hereunder or any interest herein. All obligations of the Debtors for the payment of money

hereunder shall be joint and several.

18. Governing Law. This Agreement shall be deemed to be a contract under the laws of the State of Ohio and for all purposes shall be governed by and construed in accordance with the laws of said Commonwealth excluding its rules relating to conflicts of law.

19. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

20. Counterparts; Telecopy. This Agreement may be signed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of executed signature pages by facsimile transmission will constitute effective and binding execution and delivery.

21. This Agreement Included in Loan Documents. Each of the Debtors and the Agent and Banks acknowledge and agree that this Agreement and each other document, instrument, and agreement referred to herein are Loan Documents as such term is used in the Credit Agreement.

22. Collateral Agent. Upon notice to Debtors, the Agent and the Banks may appoint a collateral agent with respect to their rights and obligations hereunder and each Debtor agrees to permit such appointment and shall execute and deliver any documents or agreements reasonably necessary to accomplish the same.

[SIGNATURE PAGES FOLLOW]

[SIGNATURE PAGE 1 OF 4 TO SECURITY AGREEMENT]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Security Agreement to be executed and delivered as of the day and year first above written.

DEBTORS:

BIG LOTS STORES, INC. (formerly CONSOLIDATED STORES CORPORATION, an Ohio corporation)

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor
Title: Senior Vice President, CFO

BIG LOTS, INC., an Ohio corporation (formerly CONSOLIDATED STORES CORPORATION, a Delaware corporation)

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

MAC FRUGAL'S BARGAINS o CLOSE-OUTS, INC., a Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

CAPITAL RETAIL SYSTEMS, INC., an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

PNS STORES, INC., a California corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

[SIGNATURE PAGE 2 OF 4 TO SECURITY AGREEMENT]

WEST COAST LIQUIDATORS, INC., a California corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

C.S. ROSS COMPANY, an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

CSC DISTRIBUTION, INC., an Alabama corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

CLOSEOUT DISTRIBUTION, INC., a Pennsylvania corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

INDUSTRIAL PRODUCTS OF NEW ENGLAND, INC., a Maine corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

TOOL AND SUPPLY COMPANY OF NEW ENGLAND, INC., a Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

[SIGNATURE PAGE 3 OF 4 TO SECURITY AGREEMENT]

MIDWESTERN HOME PRODUCTS, INC., a Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

MIDWESTERN HOME PRODUCTS COMPANY, LTD., an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

CONSOLIDATED PROPERTY HOLDINGS, INC., a Nevada corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

GREAT BASIN LLC, a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

SONORAN LLC, a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

SAHARA LLC, a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

[SIGNATURE PAGE 4 OF 4 TO SECURITY AGREEMENT]

DURANT DC, LLC (formerly DDC, LLC), a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

SCHEDULE A
TO
SECURITY AGREEMENT

ENTITY	STATE OF INCORPORATION	EIN	ORGANIZATIONAL ID#
Big Lots, Inc.	Ohio	06-111-9097	1215332
Big Lots Stores, Inc.	Ohio	31-1186811	669545
Mac Frugal's Bargains o Close-outs, Inc.	Delaware	95-2745285	
Capital Retail Systems, Inc.	Ohio	31-1602827	1009905
PNS Stores, Inc.	California	95-2745262	C0636909
West Coast Liquidators, Inc.	California	95-1813424	C0293778
C.S. Ross Company	Ohio	31-1286182	763455
CSC Distribution, Inc.	Alabama	06-1108785	
Closeout Distribution, Inc.	Pennsylvania	31-1650309	2878048
Industrial Products of New England, Inc.	Maine	01-0392472	19840699D
Tool and Supply Company of New England, Inc.	Delaware	51-0316540	
Midwestern Home Products, Inc.	Delaware	51-0316542	
Midwestern Home Products Company, Ltd.	Ohio	31-1455723	928329
Consolidated Property Holdings, Inc.	Nevada	86-0860984	C1345-1997
Great Basin LLC	Delaware	31-1686158	
Sonoran LLC	Delaware	31-1686155	
Sahara LLC	Delaware	31-1686162	
Durant DC, LLC	Delaware	01-0562033	

Address for Debtors:
(except Consolidated Property Holdings, Inc.)

300 Phillipi Road
Columbus, OH 43228

Address for Consolidated Property Holdings, Inc.:

2835 South Jones Blvd., Suite 8
Las Vegas, NV 89146

THE 1998 BIG LOTS, INC. KEY ASSOCIATE
ANNUAL INCENTIVE COMPENSATION PLAN, AS AMENDED

1. NAME

The 1998 Big Lots, Inc. Key Associate Annual Incentive Compensation Plan (the "Plan").

2. PURPOSE

The Plan is designed to (i) assist Big Lots, Inc. in attracting, retaining and motivating employees, (ii) align Participants' interests with those of the Corporation's stockholders and (iii) qualify compensation paid to Participants who are "Covered Employees" as "other performance-based compensation" within the meaning of section 162(m) of the IRC or a successor provision.

3. DEFINITIONS

"Award" means a payment subject to the provisions of this plan.

"Base Salary" means as to a Performance Period, a Participant's actual gross salary rate in effect on the Determination Date. Such salary shall be before (1) deductions for taxes and benefits, and (2) deferrals of salary pursuant to Company-sponsored plans.

"Beneficiary" means the person or persons entitled to receive the interest of a Participant in the event of the Participant's death.

"Board" means the Board of Directors of Big Lots, Inc., an Ohio corporation.

"Change of Control" means a change of control as defined in the Consolidated Stores corporation Stockholder Rights Plan dated April 18, 1989, as from time-to-time amended or any successor thereto.

"Committee" means the Compensation Committee of the Board, which shall consist of not less than two (2) members of the Board each of whom is a "disinterested person" as defined in Securities and Exchange Commission Rule 16b-3(c)(2)(i), or as such term may be defined in any successor regulation under Section 16 of the Securities Exchange Act of 1934, as amended. In addition, each member of the Committee shall be an outside director within the meaning of Section 162(m) of the IRC.

"Common Stock" means the common stock of Big Lots, Inc., an Ohio corporation, its successors and assigns.

"Company" means Big Lots, Inc., an Ohio Corporation, its successors and assigns and any corporation which shall acquire substantially all its assets. In addition, Company shall include any corporation or other entity, whether domestic or foreign, in which the Corporation has or obtains, directly or indirectly, a proprietary interest of more than 50% by reason of stock ownership or otherwise.

"Conditional Payment" means prepaying an Award before the date of current payment in section 6.2 and subjects the prepayment (or a portion thereof) to possible return to the Company.

"Covered Associate(s)" means the chief executive officer (or an individual acting in such capacity) as of the end of the Fiscal Year and any other employee whose total compensation for the Fiscal Year is required to be reported to stockholders under the Securities Exchange Act of 1934 by reason of such employee being among the four highest compensated officers (other than the chief executive officer or other individual acting in such capacity) for the Fiscal Year.

"Determination Date" means as to a Performance Period: (1) the first

day of the Performance Period, or (2) such other date set by the Committee provided such date will not jeopardize the Plan's Award as performance-based compensation under IRC 162(m).

"Eligible Position" means an employment position with the Company which provides the employee in the position the opportunity to participate in the Plan. The Committee or its designee determines Eligible Positions.

"Fiscal Year" means a fiscal year of the Company (currently comprised of a 52/53 week fiscal year which ends on the Saturday nearest to January 31).

"IRC" means the Internal Revenue Code of 1986, as amended.

"Participant" means a key associate of the Company who has been approved for participation in the Plan by the Committee (or its designee) or a key associate of a partnership designated by the Committee which the Company maintains 50% or more profit sharing, loss sharing and ownership of capital interests or a key associate of a limited liability company (LLC) in which the Company maintains a 50% or more ownership interest.

"Performance Period" means the Fiscal Year except in the following cases:

- (1) The associate's service period within a Fiscal Year in the case of a new hire or promoted associate; or
- (2) A period of service determined at the discretion of the Committee (or its designee in the case of associates who are not Covered Associates).

4. ELIGIBILITY AND PARTICIPATION

4.1 Approval

Each key associate of the Company who is approved for participation in the Plan by the Committee (or under the authority conveyed by the Committee) shall be a Participant as of the date designated. Written notice of such approval shall be given to each key associate so approved as soon as practicable following date of approval.

4.2 Termination of Approval

The Committee may withdraw its approval for participation for a Participant at any time. In the event of such withdrawal, the key associate concerned shall cease to be an active Participant as of the date selected by the Committee and the key associate shall be notified of such withdrawal as soon as practicable following such action.

4.3 Notification

In general, it is expected that key associates who are to be Participants for a Performance Period shall be notified of that fact before the beginning of the Performance Period. However, the Plan reserves the right to include associates without prior notification.

4.4 Transfers In, Out of and Between Eligible Positions

- (1) A key associate may be approved for participation during a portion of a Fiscal Year.
 - (a) With respect to associates that are not Covered Associates, an associate newly hired or transferred into an Eligible Position shall have his/her participation prorated during the first

Fiscal Year provided employment or transfer occurs at least two months prior to the end of the Fiscal Year.

- (b) An associate (other than a Covered Associate) transferred out of an Eligible Position may receive a prorated Award at the discretion of the Committee provided he/she served in the

Eligible Position for at least two full months during the Fiscal Year.

(c) With respect to Covered Associates approved for participation during a portion of a Fiscal Year, see Section 5.3 as it would relate to Performance Periods that are not equivalent to a Fiscal Year.

(2) Participants (which are not Covered Associates) transferring between Eligible Positions having different Award formulas will receive Awards prorated to months served in each Eligible Position. For Covered Associates transferring between Eligible Positions, Section 5.3 shall apply to each respective Performance Period applicable to the particular position.

4.5 Termination of Employment

Unless otherwise determined by the Committee (or its designee in the case of Participants who are not Covered Associates), or in the case of amounts accumulated in the various accounts under Section 6.4 of this Plan or as required by applicable law, no payment pursuant to this Plan shall be made to a Participant unless the Participant is employed by the Company on the day on which payments determined under section 6.2 are in fact made (or would have been made if a deferred payment election under section 6.4 - (1) had not been executed).

The Committee shall have the discretion not to make or to reduce an Award for a Plan Year for a Participant whose employment with the Company terminated during the Plan Year due to retirement, disability, or death.

5. DETERMINATION OF AWARDS

5.1 In addition to Section 4.5, Awards will vest solely on account of:
(1) the attainment of one or more pre-established performance goals/targets and
(2) the certification described in Section 5.6.

5.2 With respect to Awards for Covered Associates, the material terms of the performance goal(s) must be disclosed to, and subsequently approved by, the stockholders before the payout is executed, unless they conform to one or any combination of the following goals/targets each determined in accordance with generally accepted accounting principles or similar objective standards (or each as may appear in the annual report to stockholders):

(a) Income (loss) per common share from continuing operations as disclosed in the Company's annual report to stockholders for a particular Fiscal Year; or

(b) Income (loss) per common share from income as disclosed in the Company's annual report to stockholders for a particular Fiscal Year; or

(c) Operating income or Income from operations (as the case may be); or

(d) Income before unusual or infrequent items; or

(e) Income (loss) from continuing operations; or

(f) Income (loss) from continuing operations before extraordinary item and/or cumulative effect of a change in accounting principle (as the case may be); or

(g) Income (loss) before extraordinary item and/or cumulative effect of a change in accounting principle (as the case may be); or

(h) Any other objective and specific income (loss) category that appears as a line item in the annual report to shareholders; or

(i) Any of items (c) through (h) on a weighted average common shares outstanding basis; or

(j) Any of items (a) through (i) on a diluted basis as described in

Statement of Financial Accounting Standards No. 128 including official interpretations or amendments thereof which may be issued from time to time as long as such interpretations or amendments are utilized on the face of the income statement or in the notes to the financial statements disclosed in the Company's annual report to stockholders; or

(k) Common Stock price; or

(l) Total stockholder return expressed on a dollar or percentage basis as is customarily disclosed in the proxy statement accompanying the notice of annual meetings of stockholders; or

(m) Net income (loss); or

(n) Percentage increase in comparable store sales as disclosed in the Company's annual report; or

(o) Gross profit or gross margin; or

(p) Earnings before interest and taxes ("EBIT"); or

(q) Earnings before interest, taxes, depreciation and amortization ("EBITDA"); or

(r) Economic value added; or

(s) Any of items (a) through (r) above with respect to any subsidiary, affiliate, business unit, business group, business venture or legal entity including any combination thereof or controlled directly or indirectly by the Company whether or not such information is included in the Company's annual report to stockholders, proxy statement or notice of annual meeting of stockholders; or

(t) Any of items (a) through (r) above may be determined before or after a minority interest's share as designated by the Committee; or

(u) Any of items (a) through (r) above with respect to a Performance Period whether or not such information is included in the Company's annual report to stockholders, proxy statement or notice of annual meetings of stockholders; or

(v) Total Stockholder Return Ranking Position meaning the relative placement of the Company's Total Stockholder Return (as defined in (l) above) compared to those publicly held companies in the company's peer group as established by the Committee prior to the beginning of a vesting period or such later date as permitted under the IRC. The peer group shall be comprised of not less than six (6) companies, including the Company.

With respect to items (a), (b), (i) and (j) above, other terminology may be used for "income (loss) per common share" (such as "Basic EPS", "earnings per common share", "diluted EPS", or "earnings per common share-assuming dilution") as contemplated by Statement of Financial Accounting Standards No. 128.

The Committee in its sole discretion in setting the goals/targets in the time prescribed in Section 5.3 may make equitable adjustments (singularly or in combination) to the goals/targets in recognition of

unusual or non-recurring events for the following qualifying objective items: asset impairments under Statement of Financial Accounting Standards No. 121, as amended or superceded; acquisition-related charges; accruals for restructuring and/or reorganization program charges; merger integration costs; merger transaction costs; any profit or loss attributable to the business operations of any entity or entities acquired during the Performance Period; tax settlements; any extraordinary, unusual in nature, infrequent in occurrence, or other non-recurring items (not otherwise listed) as described in Accounting Principles Board Opinion No. 30; any extraordinary, unusual in nature, infrequent in occurrence, or other non-recurring items (not otherwise listed) in management's discussion and analysis of financial condition

and results of operations, selected financial data, financial statements and/or in the footnotes each as appearing in the annual report to stockholders; unrealized gains or losses on investments; charges related to derivative transactions contemplated by Statement of Financial Accounting Standards No. 133, as amended or superceded; and compensation charges related to stock option activity.

5.3 Prior to the completion of 25% of the Performance Period or such earlier date as required under IRC Section 162(m), the Committee shall in its sole discretion, for each such Performance Period determine and establish in writing a performance goal or performance goals (in accordance with Section 5.2) applicable to the Performance Period to any Covered Associate. Within the same period of time, the Committee (or its designee) for each such Performance Period shall determine and establish in writing the performance goal(s) applicable to the Performance Period for Participants who are not Covered Associates. Such preestablished performance goal(s) must state, in terms of an objective formula or standard, the method for computing the amount of the Award payable to the Participant if the goal(s) is (are) obtained. A formula or standard is objective if a third party having knowledge of the relevant performance results could calculate the amount to be paid to the Participant. The Committee may establish any number of Performance Periods, goals and Awards for any associate running concurrently, in whole or in part, provided, that in so doing the Committee does not jeopardize the Company's deduction for such Awards under IRC Section 162(m).

5.4 On or prior to the date specified in Section 5.3, the Committee, in its sole discretion, shall either (i) assign each Participant a target Award expressed as a percentage of Base Salary or a whole dollar amount (for Covered Associates, Base Salary must be fixed prior to the establishment of performance goals applicable to a particular Performance Period) or (ii) establish a payout table or formula for purposes of determining the Award (if any) payable to each Participant. The Committee may authorize a designee to establish a payout table or formula for those Participants who are not Covered Associates.

Each payout table or formula:

- (a) shall be in writing;
- (b) shall be based on a comparison of actual performance to the performance goals;
- (c) may include a "floor" which is the level of achievement of the performance goal in which payout begins; and
- (d) shall provide for an actual Award equal to or less than the Participant's target Award, depending on the extent to which actual performance approached or reached the performance goal(s).

5.5 In lieu of Awards based on a percentage of Base Salary (Section 5.4), Awards may be based on a percentage or share of an Award pool. The Committee (or its designee) shall determine (by the date specified in Section 5.3) the total dollar amount available for Awards (or a formula to calculate the total dollar amount available) known as an Award pool. The Committee, in its sole discretion, may establish two or more separate Award pools and assign the Participants to a particular Award pool. The Committee (or its designee in the case of Participants who are not Covered Associates) shall establish in writing a performance payout table or formula detailing the Award pool and the payout (or payout formula) based upon the relative level of attainment of performance goals. Each payout table or formula shall (a) be based on a comparison of actual performance to the performance goals, (b) provide the amount of a Participant's Award or total pool dollars available (or a formula to calculate pool dollars available), if the performance goals for the Performance

Period are achieved, and (c) provide for an actual Award (which may be based on a formula to calculate the percentage of the pool to be awarded to a particular Participant) based on the extent to which the performance goals were achieved. The payout table or formula may include a "floor" which is the level of achievement of the performance goals in which payout begins. In the case of Awards which are stated in terms of a percentage of an Award pool, the sum of the individual percentages for all Participants in the pool cannot exceed 100 percent. In no case shall a reduction in an Award of one Participant result in

an increase in another Participant's Award.

5.6 After the end of each Performance Period or such earlier date if the performance goal(s)/target(s) are achieved, the Committee shall certify in writing, prior to the unconditional payment of any Award, that the performance goal(s)/target(s) for the Performance Period were satisfied and to what extent they were satisfied. The Committee (or its designee) shall determine the actual Award for each Participant based on the payout table/formula established in section 5.4 or 5.5, as the case may be.

5.7 The Committee, in its discretion, may cancel or decrease an Award, but with respect to Covered Associates, may not under any circumstances increase such Award.

5.8 Any other provision of the Plan notwithstanding, the maximum aggregate Award a Participant may earn for a particular Fiscal Year is \$3,000,000.

6. PAYMENT OF INCENTIVE AWARDS

6.1 In General

Once an Award has vested and the amount thereof determined, payment of the Award (or the portion thereof not deferred under section 6.4) shall be made pursuant to section 6.2 or, if properly and timely elected, shall be deferred in accordance with section 6.4.

6.2 Current Payment

A Participant's Award for a Performance Period, which is not deferred in accordance with the provisions of Section 6.4 hereof, and a Participant's Award, whether or not he/she elected deferred-payment thereof, for the Fiscal Year in which his/her employment terminates, shall be paid in cash to the Participant, or his/her Beneficiary in the event of his/her death, between the date on which certification by the Committee was made in accordance with section 5.6 and the 75th day (inclusive) following the end of the Performance Period. Should the Committee elect to postpone the payments for any reason, the Committee may, in its discretion, also elect to pay interest at a reasonable rate (consistent with IRC Section 162(m)) for period between the 75th day following the end of the Performance Period and the day on which the payments are in fact made.

6.3 Conditional Payment

The Committee may authorize a Conditional Payment of a Participant's Award based upon the Committee's good faith determination. The Conditional Payment, at the discretion of the Committee (or, except for Covered Associates, under authority granted to its designee) may be discounted to reasonably reflect the time value of money for the prepayment. Conditional Payments to Covered Associates shall only be made in circumstances where the Covered Associate's compensation deduction will not be jeopardized under IRC Section 162(m). The amount of the Conditional Payment that will be returned to the Company is equal to the Conditional Payment less the Award payment that has vested, if any. For example, if the floor (see Section 5.4) was not attained for the performance goal or target for the Performance Period, all of the Conditional Payment made for that Performance Period to the Participant must be returned to the Company. Return of all or a portion of the Conditional Payment shall be made reasonably soon after it is determined the extent to which the performance goal or target was not achieved.

6.4 Deferred Payment

6.4 - (1) Election

Before the first day of each Performance Period (or such other date as permissible to properly defer the Award for income tax purposes), a Participant may irrevocably elect in writing to have a part or all of an Award for the year under the Plan (but not less than \$1,000) deferred. Such deferred payment shall be credited to a bookkeeping reserve account which shall be established for the Participant and set up on the books of the Company and known as his/her "Interest Account".

6.4 - (2) Credits To Interest Account

When a Participant has elected to have a part or all of his/her Award credited to an "Interest Account", the unpaid balance in such account shall be credited with a simple annual interest equivalent, as follows: As of the May 1 next following the Fiscal Year for which the deferred Award was made, such Award shall become part of the unpaid balance of such Interest Account. Such Interest Account shall be credited on April 30 of each year with an amount equal to interest on the unpaid balance of such account from time to time outstanding during the year ending on such April 30 at the rate determined by adding together the Three-month Treasury Bill rate on the last banking day prior to the beginning of such year and the Three-month Treasury Bill rate in effect on the last banking days of each of the calendar months of May through March of such year and dividing such total by 12. In the event that the interest Account shall be terminated for any reason prior to April 30 of any year, such account shall upon such termination date be credited with an amount equal to interest at the average Three-month Treasury Bill rate determined as aforesaid on the unpaid balance from time to time outstanding during that portion of such year prior to the date of termination.

6.4 - (3) Alternate Deferral Plans

The Committee, at its discretion, may provide alternate deferral plans of which Awards under this Plan may be included.

6.4 - (4) Trust Deposits

The Committee, at its discretion, may establish an irrevocable trust in which the assets of the trust are subject to the general creditors of the Company. Such trust may upon the occurrence of certain events, as determined by the Committee, receive assets equal to the value of all participants Interest Accounts on the date of the event.

6.4 - (5) Distribution Upon Termination of Employment

Upon termination of a Participant's employment with the Company for any reason, the Participant, or his/her Beneficiary in the event of his/her death, shall be entitled to payment of the entire Interest Account in ten annual installment payments. The amount accumulated in such Participant's Interest Account shall be distributed as hereinafter provided.

a. The Interest Account shall be paid in cash as follows:

i. The first annual payment shall be made no earlier than the thirtieth day following the date of termination of employment, and shall be in an amount equal to the value of one-tenth (th) of the total amount credited to the Participant's Interest Account as of the end of the month immediately preceding the date of termination.

ii. A second annual payment shall be made no earlier than the first day of the Fiscal Year following the year during which the first anniversary of the date of termination of employment occurs, and shall be in an amount equal to the value of the of the amount credited (which includes accumulated interest) to the Participant's Interest Account as of January 1 next following the first anniversary of the termination of employment.

iii. Each succeeding installment payment shall be determined in a similar manner, i.e., the fraction of Participant's Interest Account balance to be paid out shall increase each year to 1/8, , etc., until the tenth installment which shall equal the then remaining balance of the account.

The annual installment payments are intended to qualify the deferred compensation portion of this Plan under Chapter 4 of Title 4, United States Code, Section 114(b)(1)(I).

6.4 - (6) Distribution In Event Of Financial Emergency

If requested by a Participant while in the employ of the Company and if

the Committee (or in the case of Participants who are not Covered Associates, its designee) determines that a financial emergency has occurred in the financial affairs of the Participant, the Interest Account of the Participant on the date the Participant makes the request may be paid out at the sole discretion of the Committee (or its designee) in the same manner it would have been paid out had the Participant terminated his employment with the Company on the date of such request. In the event of a payout due to a financial emergency, a second Interest Account shall be established for the Participant and any Awards made to the Participant thereafter shall be credited to this second Interest Account. The Participant's rights to the second Interest Account shall be the same as his/her rights to the initial Interest Account.

6.4 - (7) Acceleration Of Payment

Notwithstanding the provisions in Item 6.4 - (5) and 6.4 - (6), if the amount remaining in a Participant's Interest Account at any time is less than \$50,000, or in the event of a financial emergency (including death or disability) occurring in the personal affairs of the Participant, or his/her Beneficiary in case of his/her death, during the payout period, the Committee may elect to accelerate the payout thereafter of the Participant's Interest Account.

6.4 - (8) Beneficiary Designation

A Participant may designate a Beneficiary who is to receive, upon his/her death or disability, the distributions that otherwise would have been paid to him/her. All designations shall be in writing and shall be effective only if and when delivered to the Secretary of the Company during the lifetime of the Participant. If a Participant designates a Beneficiary without providing in the designation that the Beneficiary must be living at the time of each distribution, the designation shall vest in the Beneficiary all of the distribution whether payable before or after the Beneficiary's death, and any distributions remaining upon the Beneficiary's death shall be made to the Beneficiary's estate.

A Participant may from time to time during his lifetime change his Beneficiary by a written instrument delivered to the Secretary of the Company. In the event a Participant shall not designate a Beneficiary as aforesaid, or if for any reasons such designation shall be ineffective, in whole or in part, the distribution that otherwise would have been paid to such Participant shall be paid to his estate and in such event the term "Beneficiary" shall include his estate.

6.4 - (9) Corporate Changes

i. Dissolution or Liquidation of Company

The Company shall cause the dollar balance of an Interest Account (adjusted to the end of the month immediately preceding the date of dissolution or liquidation) to be paid out in cash in a lump sum to the Participants, or their Beneficiaries as the case may be, within 60 days following the date of dissolution or liquidation of the Company.

ii. Merger, Consolidation or Sale of Assets

Notwithstanding anything herein to the contrary, in the event that the Company desires to consolidate with, merge into, sell or otherwise transfer all or substantially all of its assets to another

corporation (hereinafter referred to as "Successor Corporation"), such Successor Corporation may assume the obligation under this Plan, provided those appropriate amendments are made to the Plan. In the event the Plan is not continued within a reasonable period of time by the Successor Corporation, then as of the date preceding the date of such consolidation, merger, or transfer, the account of each Participant shall be converted into dollars and distributed as provided in section 6.

7. RIGHTS OF PARTICIPANTS

No Participant or Beneficiary shall have any interest in any fund or in

any specific asset or assets of the Company by reason of any account under the Plan. It is intended that the Company has merely a contractual obligation to make payments when due hereunder and it is not intended that the Company hold any funds in reserve or trust to secure payments hereunder. No Participant may assign, pledge, or encumber his/her interest under the Plan, or any part thereof, except that a Participant may designate a Beneficiary as provided herein.

Nothing contained in this Plan shall be construed to:

A. Give any associate or Participant any right to receive any Award other than in the sole discretion of the Committee;

B. Give a Participant any rights whatsoever with respect to share(s) of Common Stock of the Company;

8. NO EMPLOYEE RIGHTS

Nothing in the Plan or participation in the Plan shall confer upon any Participant the right to be employed by the Company or to continue in the employ of the Company, nor shall anything in the Plan, or participation in the Plan amend, alter or otherwise affect any rights or terms of employment or other benefits arising from that employment.

9. ADMINISTRATION

The Plan shall be administered by the Committee. The Committee may, from time to time, establish rules for the administration of the Plan that are not inconsistent with the provisions of the Plan.

10. AMENDMENT OR TERMINATION

The Committee may modify or amend, in whole or in part, any or all of the provisions of the Plan, except as to those terms or provisions that are required by IRC Section 162(m) to be approved by the stockholders, or suspend or terminate it entirely; provided, however, that no such modifications, amendment, or suspension or termination may, without the consent of the Participant, or his Beneficiary in the case of his/her death, reduce the right of a Participant, or his/her Beneficiary, as the case may be, to any Payment due under the Plan.

11. TAX WITHHOLDING

The Company shall have the right to deduct from all cash payments any federal, state, or local taxes or other withholding amounts required by law or valid court order to be withheld with respect to such cash payments.

12. EFFECTIVE DATE

The Plan shall be effective as of February 2, 1998, subject to approval and modification by the Company's stockholders no later than September 1, 1998.

EXECUTION COPY

BIG LOTS STORES, INC.
BIG LOTS, INC.

FIRST AMENDMENT TO
NOTE PURCHASE AGREEMENT

\$174,000,000
7.87% Senior Notes, Series 2001-A,
Tranche 1, due May 15, 2005

\$15,000,000
7.97% Senior Notes, Series 2001-A,
Tranche 2, due May 15, 2006

\$15,000,000
8.07% Senior Notes, Series 2001-A,
Tranche 3, due May 15, 2007

Dated as of February 25, 2002

To the Holders of the Senior Notes
of Big Lots Stores, Inc. Named in
the Attached Schedule I

Ladies and Gentlemen:

Reference is made to the Note Purchase Agreement dated as of May 1, 2001 (the "Note Agreement") among Big Lots Stores, Inc. (f/k/a Consolidated Stores Corporation, an Ohio corporation), an Ohio corporation (the "Company"), Big Lots, Inc. (f/k/a Consolidated Stores Corporation, a Delaware corporation), an Ohio Corporation, and each of the Purchasers named in Schedule A thereto pursuant to which the Company issued \$174,000,000 aggregate principal amount of 7.87% Senior Notes, Series 2001-A, Tranche 1, due May 15, 2005, \$15,000,000 aggregate principal amount of 7.97% Senior Notes, Series 2001-A, Tranche 2, due May 15, 2006 and \$15,000,000 aggregate principal amount of 8.07% Senior Notes, Series 2001-A, Tranche 3, due May 15, 2007 (collectively, the "Notes"). You are referred to herein individually as a "Holder" and collectively as the "Holders." Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Note Agreement, as amended hereby.

The Company has requested an amendment of the Note Agreement to exclude from the definition of EBITDAR certain noncash charges taken by the Parent in its fiscal quarter ended February 2, 2002 and has made a similar request of the lenders party to the Credit Agreement (the "Banks").

In connection with the amendment described in the preceding paragraph, the Banks, the Holders, the Company, the Parent and each Subsidiary Guarantor have agreed that the obligations to the Banks under the Credit Agreement and the obligations to the Holders in respect of the Notes shall be secured pari passu pursuant to certain security documents.

The Holders are willing to grant an amendment on the terms and conditions set forth in this First Amendment to Note Purchase Agreement (this "Amendment").

In consideration of the premises and for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Company, the Parent and the Holders agree as follows:

1. AMENDMENTS TO NOTE AGREEMENT

1.1. Amendment of Section 7.

1.1.1. Section 7.1(h) is amended to read in its entirety as follows:

"(h) Requested and Other Information - (i) concurrently with the delivery to the Banks, a copy of any data or information, financial or otherwise, that is not otherwise provided to such holder of Notes, and (ii) with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Parent, the Company or any of its Subsidiaries or relating to the ability of any of them to perform its obligations hereunder and under the Notes or any Guaranty as from time to time may be reasonably requested by any such holder of Notes that is an Institutional Investor; and"

1.2. Amendment of Section 10.

1.2.1. Section 10.1 is amended to read in its entirety as follows:

"The Parent will not permit at any time:

(a) the ratio of Consolidated Senior Debt (as of any date of determination) to EBITDAR (for the Parent's then most recently completed four fiscal quarters) to be greater than the level indicated as of the following quarter ends:

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Fiscal Quarter Ending (Nearest)	Ratio
January 31, 2002	3.35 to 1.0
April 30, 2002	3.35 to 1.0
July 31, 2002	3.35 to 1.0
October 31, 2002	3.50 to 1.0
January 31, 2003	3.15 to 1.0
April 30, 2003	3.15 to 1.0
July 31, 2003	3.25 to 1.0
October 31, 2003	3.25 to 1.0
January 31, 2004	3.00 to 1.0
April 30, 2004 and thereafter	2.85 to 1.0; or

(b) Priority Debt to exceed 15% of Consolidated Net Worth."

1.2.2. Section 10.2 is amended in its entirety to read as follows:

"The Parent will not permit the ratio (calculated as of the end of each fiscal quarter) of EBITDAR to Fixed Charges for the period of four quarters ending as of the last day of each fiscal quarter to be less than the following levels as of the following quarter-ends:

Fiscal Quarter Ending (Nearest)	Ratio
January 31, 2002	1.55 to 1.0
April 30, 2002	1.55 to 1.0
July 31, 2002	1.55 to 1.0
October 31, 2002	1.55 to 1.0
January 31, 2003	1.55 to 1.0
April 30, 2003	1.60 to 1.0
July 31, 2003	1.60 to 1.0
October 31, 2003	1.60 to 1.0
January 31, 2004	1.60 to 1.0
April 30, 2004 and thereafter	1.65 to 1.0"

1.2.3. Section 10.4(d) is amended to read in its entirety as follows:

"(d) Liens (i) securing Indebtedness of a Restricted Subsidiary to the Parent or to another Restricted Subsidiary, including the Company, or (ii) securing pari passu the Notes and Indebtedness

outstanding under the Credit Agreement;"

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1.2.4. New Section 10.12 is added as follows:

"10.12. COUPON ADJUSTMENT.

Anything in Section 1.2, Exhibits 1.2(a), 1.2(b) or 1.2(c) or the outstanding Notes to the contrary notwithstanding:

(a) On the effective date of this Amendment the annual interest rate on the Notes of each Tranche shall be increased by 50 basis points.

(b) It shall not be necessary for any Noteholder to surrender its Notes in connection with this Amendment, but any Note hereafter issued shall reflect the 50 basis point increase in the annual interest rate.

Notwithstanding the foregoing, for purposes of calculating the Make-Whole Amount, the interest rate on the Notes shall be deemed to be the interest rate in effect immediately prior to this Amendment (Series 2001-A, Tranche 1, 7.87%; Series 2001-A, Tranche 2, 7.97%; and Series 2001-A, Tranche 3, 8.07%)."

1.2.5. New Section 10.13 is added as follows:

"10.13. MOST FAVORED NATION.

(a) If the Banks or any other holder of Indebtedness of the Parent or the Company imposes any additional or more restrictive financial covenant (including by amendment of an existing covenant, by waiver or consent or otherwise) than is imposed on the effective date of this Amendment under the Credit Agreement or under any other agreement pursuant to which such Indebtedness is outstanding, or the Parent or the Company grants to any holder of Indebtedness of the Parent or the Company a new financial covenant more favorable to such holder than is contained in the Note Agreement, the Company shall promptly notify, and furnish a copy thereof to, each holder of the Notes, and the Note Agreement shall be deemed to be amended automatically to incorporate such additional or more restrictive financial covenant as to the Parent or the Company or such more favorable financial covenant as to any holder of Indebtedness.

(b) If (i) the Banks or other holders of Indebtedness of the Parent or the Company relax or release any covenant, or any of the terms thereof, that has or have been deemed to be incorporated into the Note Agreement pursuant to Section 10.13(a) and (ii) the Notes or other outstanding senior Indebtedness of the Parent or the Company are or is at the time rated not less than either BBB by S&P or Baa2 by Moody's (or both if both agencies at the time have rated such Indebtedness), upon notice by the Company to each Holder of the Notes, such incorporated covenant or such terms thereof shall, without any additional action on the part of the Company, the Parent or the holders of the Notes, be deemed to be relaxed or released to a like extent under the Note Agreement, provided that in no event will any covenant specifically set forth in the Note Agreement be deemed to be released or deemed to be relaxed beyond the level contained in the Note Agreement."

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1.3. Amendment of Section 11.

1.3.1. Section 11(e) is amended to read in its entirety as follows:

"(e) any representation or warranty made in writing by or on behalf of the Parent, the Company or any Subsidiary Guarantor or by any officer of any of them in this Agreement, the Parent Guaranty, the Subsidiary Guaranty or any Security Document or in any writing furnished in connection with the transactions contemplated hereby

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

1.3.2. The period at the end of Section 11(k) is replaced with a semicolon followed by the word "or" and new Section 11(l) is added as follows:

"(l) a default or event of default occurs under any of the Security Documents and such default or event of default continues beyond any period of grace with respect thereto or any of the Security Documents are deemed or are judicially determined not to be valid, binding or enforceable."

1.4. Amendment of Section 15. Section 15.1 is amended to read in its entirety as follows:

"15.1. TRANSACTION EXPENSES.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of special counsel (but only one in connection with the transaction contemplated hereby) and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, the Notes, the Parent Guaranty, the Subsidiary Guaranty, the Intercreditor Agreement or any Security Document (whether or not such amendment, waiver or consent becomes effective), including: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, the Notes, the Parent Guaranty, the Subsidiary Guaranty, the Intercreditor Agreement or any Security Document or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, the Notes, the Parent Guaranty, the Subsidiary Guaranty, the Intercreditor Agreement or any Security Document, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Parent, the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. In addition, the Company will pay all costs and expenses incurred by you and the Other Purchasers should you and they, as a group, retain financial consultants and other professionals to assist in evaluating the financial condition of the Parent and its Subsidiaries, including the Company, provided, that you and the Other Purchasers agree to utilize the services of financial consultants and professionals retained by the Banks for

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such purpose, so long as you and the Other Purchasers are satisfied that you and they are receiving the same information at the same time as the Banks. The Company will pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by you)."

1.5. Amendment of Schedule B.

1.5.1. The following defined terms are added to Schedule B:

"`BANKS' means the lenders party to the Credit Agreement.

`SECURITY AGREEMENT' means the Security Agreement dated February 25, 2002 of the Company, the Parent and the Subsidiary Guarantors in favor of the Holders as secured parties granting a first security interest in the Company's and the Subsidiary Guarantors' inventory, receivables and intangibles.

`SECURITY DOCUMENTS' means the Security Agreement and any other document or agreement securing or perfecting a Lien on assets of the Company or any Subsidiary Guarantor in favor of holders of the Notes."

1.5.2. The following terms are amended to read in their entirety as follows:

"`CONSOLIDATED SENIOR DEBT' means, at any time, the sum of (i) all Indebtedness of the Parent and its Restricted Subsidiaries, including the Company, determined on a consolidated basis in accordance with GAAP, and (ii) the product of (A) Consolidated Rentals for the preceding 12 months times (B) four.

`EBITDAR' means, for any period, the sum of Consolidated Net Income for such period, plus, to the extent deducted in determining such Consolidated Net Income, (i) Consolidated Interest Expense, (ii) federal, state, local and foreign income, value added and similar taxes, (iii) depreciation and amortization expense, (iv) Consolidated Rentals and (v) noncash charges not exceeding \$87,570,000 (principally resulting from discontinued product categories, adjustment of capitalized freight costs, inventory related adjustments and insurance reserve adjustments) in the aggregate taken by the Company in accordance with GAAP in the fourth quarter of its fiscal year ending February 2, 2002.

`MATERIAL ADVERSE EFFECT' means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Parent and its Restricted Subsidiaries, including the Company, taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the ability of the Parent to perform its obligations under this Agreement and the Parent Guaranty, (d) the ability of any Subsidiary Guarantor to perform its obligations under the Subsidiary Guaranty, or (e) the validity or enforceability of this Agreement, the Notes, the Parent Guaranty, the Subsidiary Guaranty, any Security Document or the Liens created by the Security Documents."

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2. REAFFIRMATION; REPRESENTATIONS AND WARRANTIES

2.1. Reaffirmation of Note Agreement. Each of the Company and the Parent reaffirms its agreement to comply with each of the covenants, agreements and other provisions of the Note Agreement and the Notes, including the additions and amendments of such provisions effected by this Amendment.

2.2. Note Agreement. Each of the Company and the Parent represents and warrants that, after giving effect to this Amendment, the representations and warranties contained in the Note Agreement are true and correct as of the date hereof, except (a) to the extent that any of such representations and warranties specifically relate to an earlier date, (b) for such other matters as have been previously disclosed in writing by the Parent or the Company (including in its financial statements and notes thereto) to the Holders and (c) for other changes that could not reasonably be expected to have a Material Adverse Effect.

2.3. No Default or Event of Default. After giving effect to the transactions contemplated hereby, there will exist no Default or Event of Default.

2.4. Authorization.

2.4.1. Parent and Company. The execution, delivery and performance by each of the Parent and the Company of this Amendment and each Security Document to which it is a party have been duly authorized by all necessary corporate action and, except as provided herein, do not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable. The Note Agreement, this Amendment and such Security Documents each constitute the legal, valid and binding obligations of the Parent and the Company, enforceable in accordance with their respective terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

2.4.2. Subsidiary Guarantors. The execution, delivery and performance by each Subsidiary Guarantor of each Security Document to which it is a party have been duly authorized by all necessary corporate action and, except as provided herein, do not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable. Such Security Documents and the Subsidiary Guaranty each constitute the legal, valid and binding obligations of such Subsidiary Guarantor, enforceable in accordance with their respective terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

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3. EFFECTIVE DATE

This Amendment shall become effective as of the date set forth above upon the satisfaction of the following conditions:

3.1. Consent of Holders to Amendment. Execution by the Required Holders and receipt by the Holders of a counterpart of this Amendment duly executed by the Parent and the Company.

3.2. Security Interest. The Holders shall have received executed Security Documents in form and substance satisfactory to the Holders and their special counsel. All filings necessary to perfect the Liens of the Security Documents shall have been made and the Holders shall have received a perfected first security interest in all of the assets of the Company and the Subsidiary Guarantors covered by the Security Agreement.

3.3. Amendment to Credit Agreement. The Holders shall have received a copy of an executed Second Amendment to the Credit Agreement.

3.4. Amendment Fee. Each Holder shall have received an amendment fee equal to 0.5% of the outstanding principal amount of the Notes held by such Holder.

3.5. Fees of Special Counsel. The Company shall have paid all fees and expenses of special counsel to the Holders.

4. MISCELLANEOUS

4.1. Conditions Subsequent. If any of the following fails to occur within the time indicated it shall be deemed to be an Event of Default:

4.1.1. Within 30 days after the date of this Amendment, the Holders shall have entered into a new collateral agency and intercreditor agreement with the Banks, or an amendment of the Intercreditor Agreement, on terms reasonably satisfactory to the Holders, providing for the appointment of a collateral agent and a collateral sharing arrangement.

4.1.2. Within 20 days after the date of this Amendment, the Holders and their special counsel shall have received one or more secretary's certificates certifying the resolutions adopted by the boards of directors of the Parent, the Company and the Subsidiary Guarantors authorizing the transactions contemplated by this Amendment and as to the signatures and incumbency of the officers signing this Amendment, the Security Documents and any other agreements or documents in connections with the transactions contemplated hereby.

4.1.3. Within 20 days after the date of this Amendment, the Holders shall have received an opinion of counsel for the Parent, the Company and the Subsidiary Guarantors, in form and substance satisfactory to the Holders and their special counsel, to

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the effect set forth in Section 2.4 and to the further effect that the Holders have a valid and perfected security interest in the collateral subject to the Security Agreement.

4.1.4. If at any time the Second Amendment to the Credit Agreement ceases to be effective.

4.2. Ratification. Except as amended hereby, the Note Agreement, including the representations and warranties contained therein, shall remain in full force and effect and is ratified, approved and confirmed in all respects as of the date hereof.

4.3. Reference to and Effect on the Note Agreement. Upon the final effectiveness of this Amendment, each reference in the Note Agreement and in other documents describing or referencing the Note Agreement to the "Agreement," "Note Agreement," "hereunder," "hereof," "herein," or words of like import referring to the Note Agreement, shall mean and be a reference to the Note Agreement, as amended hereby.

4.4. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

4.5. Governing Law. This Amendment shall be governed by and construed in accordance with Illinois law.

4.6. Counterparts. This Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but altogether only one instrument.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Company, the Parent and the Holders have caused this Amendment to be executed and delivered by their respective officer or officers thereunto duly authorized.

BIG LOTS STORES, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor
Title: Senior VP, Chief Financial Officer

BIG LOTS, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor
Title: Senior VP, Chief Financial Officer

HOLDERS:

ALLSTATE LIFE INSURANCE COMPANY

By: /s/Ronald Mendel

Name: Ronald Mendel

Title:

By: /s/ Robert B. Bodett

Name: Robert B. Bodett

Title: _____
Authorized Signatories

S-2

TRANSAMERICA OCCIDENTAL LIFE INSURANCE COMPANY
By: /s/ Mark Dunn

Name: Mark Dunn

Title: Vice-President

S-3

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY
By: /s/ Morian C. Mooers

Name: Morian C. Mooers

Title: Investment Officer

S-4

GE EDISON LIFE INSURANCE COMPANY
By: /s/ Hiroyuki Kimoto

Name: Hiroyuki Kimoto

Title: General Manager / Portfolio Management

S-5

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By: CIGNA Investments, Inc. (authorized agent)
By: /s/ Debra J. Height

Name: Debra J. Height

Title: Managing Director

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LIFE INSURANCE COMPANY OF NORTH AMERICA
By: CIGNA Investments, Inc. (authorized agent)
By: /s/ Debra J. Height

Name: Debra J. Height

Title: Managing Director

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THE TRAVELERS INSURANCE COMPANY

By: /s/ Teresa M. Torrey

Name: Teresa M. Torrey

Title: Second Vice President

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THE TRAVELERS LIFE AND ANNUITY COMPANY

By: /s/ Teresa M. Torrey

Name: Teresa M. Torrey

Title: Second Vice President

S-9

PRINCIPAL LIFE INSURANCE COMPANY

By: Principal Capital Management, LLC
a Delaware limited liability company,
its authorized signatory

By: /s/ Jon O. Heiny, Counsel

Its: Jon O. Heiny, Counsel

By: /s/ James C. Fifield, Counsel

Its: James C. Fifield, Counsel

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FIRST ALLMERICA FINANCIAL LIFE INSURANCE COMPANY

By: /s/ Michael F. Lannigan

Name: Michael F. Lannigan

Title: Assistant Treasurer

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HARTFORD LIFE AND ANNUITY INSURANCE COMPANY

By: Hartford Investment Services, Inc.,
its Agent and Attorney-in-Fact

By: /s/ Eva Konopka

Name: Eva Konopka

Title: Vice President

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NATIONWIDE LIFE INSURANCE COMPANY

By: /s/ Mark W. Poeppelman

Name: Mark W. Poeppelman

Title: Associate Vice President

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PACIFIC LIFE INSURANCE COMPANY

By: /s/ Cathy L. Schwartz

Name: Cathy L. Schwartz

Title: Assistant Vice President

By: /s/ Diane W. Dales

Name: Diane W. Dales

Title: Assistant Secretary

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AMERICAN FAMILY LIFE INSURANCE COMPANY

By: /s/ Phillip Hannifan

Name: Phillip Hannifan

Title: Investment Director

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CLARICA LIFE INSURANCE COMPANY - U.S.

By: /s/ Constance L. Keller

Name: Constance L. Keller

Title: Executive Director, Private Placements

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PHOENIX LIFE INSURANCE COMPANY
Formerly known as Phoenix Home Life Mutual
Insurance Company

By: /s/ Christopher M. Wilkos

Name: Christopher M. Wilkos

Title: Senior Vice President, Corporate

Each of the undersigned Subsidiary Guarantors acknowledges the foregoing Amendment.

MAC FRUGAL'S BARGAINS
CLOSE-OUTS, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

DURANT DC, LLC (formerly DDC, LLC)

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

CAPITAL RETAIL SYSTEMS, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

PNS STORES, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

WEST COAST LIQUIDATORS, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

C.S. ROSS COMPANY

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

CSC DISTRIBUTION, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

CLOSEOUT DISTRIBUTION, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

INDUSTRIAL PRODUCTS OF NEW ENGLAND, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

TOOL AND SUPPLY COMPANY OF NEW ENGLAND, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

MIDWESTERN HOME PRODUCTS, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

CONSOLIDATED PROPERTY HOLDINGS, INC.

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

GREAT BASIN LLC

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

SONORAN LLC

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

Title: Senior VP, Chief Financial Officer

SAHARA LLC

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor

 Title: Senior VP, Chief Financial Officer

MIDWESTERN HOME PRODUCTS COMPANY, LTD.

By: /s/ Jeffrey G. Naylor

 Name: Jeffrey G. Naylor

 Title: Senior VP, Chief Financial Officer

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SCHEDULE I
 HOLDERS

HOLDER -----	AGGREGATE PRINCIPAL AMOUNT OF NOTES HELD -----
Allstate Life Insurance Company	\$ 35,000,000
Transamerica Occidental Life Insurance Company	30,000,000
General Electric Capital Assurance Company	20,000,000
GE Edison Life Insurance Company	10,000,000
Connecticut General Life Insurance Company	16,400,000
Life Insurance Company Of North America	3,600,000
The Travelers Insurance Company	19,000,000
The Travelers Life And Annuity Company	1,000,000
Principal Life Insurance Company	15,000,000
First Allmerica Financial Life Insurance Company	10,000,000
Hartford Life And Annuity Insurance Company	10,000,000
Nationwide Life Insurance Company	10,000,000
Pacific Life Insurance Company	8,000,000
American Family Life Insurance Company	7,000,000
Clarica Life Insurance Company - U.S	3,000,000
Phoenix Life Insurance Company	6,000,000

	\$204,000,000
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SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of February 25, 2002 (as restated, amended, modified, or supplemented from time to time, this "AGREEMENT"), is given, jointly and severally, by Big Lots Stores, Inc., an Ohio corporation (formerly known as Consolidated Stores Corporation, an Ohio corporation), Big Lots, Inc. (formerly known as Consolidated Stores Corporation, a Delaware corporation), a Delaware corporation, Mac Frugal's Bargains o Close-Outs, Inc., a Delaware corporation, Capital Retail Systems, Inc., an Ohio corporation, PNS Stores, Inc., a California corporation, West Coast Liquidators, Inc., a California corporation, C.S. Ross Company, an Ohio corporation, CSC Distribution, Inc., an Alabama corporation, Closeout Distribution, Inc., a Pennsylvania corporation, Industrial Products of New England, Inc., a Maine corporation, Tool and Supply Company of New England, Inc., a Delaware corporation, Midwestern Home Products, Inc., a Delaware corporation, Midwestern Home Products Company, Ltd., an Ohio corporation, Consolidated Property Holdings, Inc., a Nevada corporation, Great Basin LLC, a Delaware limited liability company, Sonoran LLC, a Delaware limited liability company, and Sahara LLC, a Delaware limited liability company, and Durant DC, LLC (f/k/a DDC, LLC), a Delaware limited liability company, and any other of the undersigned parties listed as Debtors on the signature pages hereto and each of the other persons and entities that become bound hereby as a Debtor from time to time by joinder, assumption, or otherwise (each of the foregoing, a "DEBTOR" and all of the foregoing, collectively the "DEBTORS"), in favor of the holders of Notes (as hereinafter defined) listed in the attached Schedule 1 (the "Holders").

WITNESSETH:

WHEREAS, pursuant to the Note Purchase Agreement dated as of May 1, 2001 (as amended by First Amendment to Note Purchase Agreement dated as of February 25, 2002 and as it may hereafter be amended or modified from time to time, the "NOTE AGREEMENT"), among Big Lots Stores, Inc., (f/k/a Consolidated Stores Corporation, an Ohio corporation) an Ohio corporation (the "Company"), Big Lots, Inc. (f/k/a Consolidated Stores Corporation, a Delaware corporation), an Ohio Corporation the "Parent"), and each of the Purchasers named in Schedule A thereto, the Company issued \$174,000,000 aggregate principal amount of 7.87% Senior Notes, Series 2001-A, Tranche 1, due May 15, 2005, \$15,000,000 aggregate principal amount of 7.97% Senior Notes, Series 2001-A, Tranche 2, due May 15, 2006 and \$15,000,000 aggregate principal amount of 8.07% Senior Notes, Series 2001-A, Tranche 3, due May 15, 2007 (collectively, the "Notes") and the Debtors other than the Company, guaranteed the Notes pursuant to the Guaranties; and

WHEREAS, to induce the Holders to enter into the First Amendment to Note Purchase Agreement dated as of February 25, 2002, the parties desire that all obligations, liabilities, and indebtedness of the Debtors under the Note Agreement, the Notes and the Guaranties be secured by security interests in the Collateral (defined below at Section 1(b)) as more fully set forth below.

NOW, THEREFORE, intending to be legally bound hereby and incorporating the above-defined terms herein, the parties hereto covenant and agree as follows:

1. Definitions. Except as set forth in this Agreement, terms defined in the Note Agreement and not otherwise defined herein are used herein as defined in the Note Agreement. The term "including" when used herein shall have the meaning represented by the phrase "including without limitation". The following words and terms shall have the following respective meanings unless the context hereof otherwise clearly requires:

(a) "Accounts" means all now owned or hereafter acquired or arising accounts, as defined in the UCC, of each Debtor, including any rights to payment for the sale or lease of goods or rendition of services, whether or not they have been earned by performance, together with all products and proceeds of any of the foregoing.

(b) "Collateral" means all Accounts, Inventory, and General

Intangibles of each Debtor together with all present and future business records and information relating to any of the Accounts, Inventory, or General Intangibles of each Debtor, including computer tapes and other storage media containing the same and computer programs and software (including source code, object code and related manuals and documentation and all licenses to use such software) for accessing and manipulating such information.

(c) "Debt" means (i) all now existing and hereafter arising indebtedness, liabilities, and obligations of each and every of the Debtors to each of the Holders under the Note Agreement, the Notes or the Guaranties, whether for principal, interest, make-whole amounts, fees, expenses, or otherwise of each and every of the Debtors to each of the Holders, now existing or hereafter incurred or arising under the Note Agreement, the Notes or the Guaranties and as any of the same may from time to time be amended, restated, modified, or supplemented, together with any and all extensions, renewals, refinancings, and refundings thereof in whole or in part; and (ii) any sums advanced by any Holder or which may otherwise become due pursuant to the provisions of the Note Agreement, the Notes, the Guaranties or this Agreement or pursuant to any other document or instrument at any time delivered to any Holder in connection therewith, including fees and charges and indemnification obligations, and all interest payable on any of the foregoing in all cases, whether such sums are advanced or otherwise become due before or after the entry of any judgment for foreclosure or any judgment on the Notes, the Guaranties or the Note Agreement or with respect to any default under any of the foregoing.

(d) "General Intangibles" means all now owned or hereafter acquired or arising general intangibles, as defined in the UCC, of each Debtor, together with all products and proceeds of any of the foregoing.

(e) "Inventory" means all now owned or hereafter acquired inventory (as defined in the UCC), goods, merchandise, and other personal property of each Debtor, wherever located, held for sale or lease or which are or might be furnished under any contract of service, all raw materials, work in process, finished goods (including embedded software), returned goods, and materials and supplies of any kind, nature or description which are or might be used or consumed in the business of each Debtor or used in connection with the manufacture, packing, shipping, advertising, selling or finishing of such goods, such merchandise or such other personal property, and all documents of title or other documents representing them, together with all products and proceeds of any of the foregoing.

(f) "UCC" means the Uniform Commercial Code, as in effect from time to time, of the State of Ohio or of any other state the laws of which are required as a result thereof to be applied in connection with the issue of perfection of security interests; provided, that to the extent that the UCC is used to define any term herein or in any other documents and such term is defined differently in different Articles or Divisions of the UCC, the definition of such term contained in Article or Division 9 shall govern.

2. Creation of Security Interests. As security for the due and punctual payment and performance of the Debt in full, each Debtor hereby grants to and creates in favor of the Holders a continuing lien on and security interest in and to the Collateral. Without limiting the generality of any of the following Sections below each Debtor hereby authorizes (i) the execution and filing of all financing

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statements by the Holders, without the execution thereof by any Debtor, naming the Debtors as "debtors," and (ii) the exercise of "control," as such term is defined in Article 9 of the UCC, over the Collateral in order to fully perfect the security interests therein;

3. Representations and Warranties. Each Debtor represents and warrants to the Holders that (a) each Debtor owns its Collateral, (b) except for the security interest granted to and created in favor of the Holders hereunder and Permitted Liens, all the Collateral is free and clear of any Lien, (c) each Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein, (d) each material Account is genuine and enforceable in accordance with its terms and such Debtor will defend the same against all claims, demands, recoupment, setoffs, and counterclaims at any time asserted and no material Account will be subject to

any material claim for credit, allowance, setoff, recoupment, defense, counterclaim, or adjustment by any account debtor, and (e) the exact legal name, the state of incorporation, formation or organization, as applicable, the address and all other information of such Debtor is as set forth on Schedule B hereto.

4. Protection and Maintenance of Liens. Each Debtor will faithfully preserve, defend, and protect the Holders' security interest in the Collateral as a perfected security interest, superior and prior to the rights of all third Persons, except for holders of Liens permitted under the Note Agreement, and will do all such other acts and things and will, upon request therefor by the Holders, execute, deliver, file and record, and such Debtor hereby authorizes the Holders to so file, all such other documents and instruments, including financing statements, security agreements, assignments and documents and powers of attorney with respect to the Collateral, and pay all filing fees and taxes related thereto (with prompt reimbursement by Borrower), as the Holders in their reasonable discretion may deem necessary or advisable from time to time in order to attach, continue, preserve, perfect, and protect said security interest; and, each Debtor hereby irrevocably appoints each Holder, its officers, employees and agents, or any of them, as attorneys-in-fact for such Debtor to execute, deliver, file, and record such items for such Debtor and in such Debtor's name, place and stead. This power of attorney, being coupled with an interest, shall be irrevocable for the life of this Agreement.

5. Covenants. Each Debtor covenants and agrees that:

(a) it will not suffer or permit to exist on any Collateral any Lien except for Permitted Liens;

(b) it shall bear the full risk of any loss of any nature whatsoever with respect to the Collateral owned by it and at its own cost and expense in amounts and with financially sound and reputable insurers, and each Debtor shall (a) keep its Inventory insured against such hazards, and for such amounts, as is customary in the case of companies engaged in businesses similar to such Debtor's (it is acknowledged by the Holders that the insurance presently maintained by the Debtors is acceptable for such purposes); (b) furnish the Holders with (i) evidence of the maintenance of such insurance and (ii) appropriate loss payable endorsements in form and substance satisfactory to the Holders, naming each Holder (or any collateral agent for the Holders) as a loss payee as its interests may appear with respect to all insurance coverage of the Inventory, and providing (A) that such policy and loss payable clauses may not be cancelled, amended or terminated unless at least thirty (30) days' prior written notice is given to each Holder; and, if any Debtor fails to obtain insurance as hereinabove provided, or to keep the same in force, the Holders, if they so elect, may obtain such insurance and pay the premium therefor on behalf of such Debtor, and add all liabilities, obligations, costs, and expenses reasonably incurred in connection with such insurance to the Debt, to be paid by the Debtors to the Holders upon demand;

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(c) it will not sell, assign or otherwise dispose of any portion of the Collateral except as permitted in Section 10.5 of the Note Agreement and Section 7.2.7 of the Credit Agreement;

(d) it will maintain materially accurate and complete books and records concerning the Collateral and such other books and records as the Holders may from time to time reasonably require;

(e) it will promptly furnish to the Holders such documents and papers relating to the Collateral as the Holders may reasonably request, including all invoices, documents of title and other shipping and related documents, contracts, and other writings pertaining to such Debtor's Inventory or contracts or the performance thereof;

(f) to the extent Inventory held for sale or lease has been produced by any Debtor, it has been and will be produced by such Debtor in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders thereunder.

(g) if any material Account arises out of contracts with the United States or any department, agency, or instrumentality thereof or any one

or more of the states of the United States or any department, agency, or instrumentality thereof, it will upon request of the Holders, execute any instruments and take any steps required by the Holders so that all monies due and to become due under such contract shall be assigned (to the extent permitted by Law and taking into account any necessity for consent as required by the contracts and not otherwise made ineffective by Law) to the Holders and notice of the assignment given to and acknowledged by the appropriate government agency or authority under the Federal Assignment of Claims Act or similar applicable state law; and

(h) such Debtor will not change its name or state of incorporation, formation, or organization, as applicable, from that set forth on Schedule B hereto without providing thirty (30) days prior written notice to the Holders.

6. Custody. The Holders shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in their possession, if any, if the Holders take such action for that purpose as such Debtor shall request in writing, provided that such requested action shall not, in the judgment of the Holders, impair the security interest in or lien on the Collateral or the Holders' rights in, or the value of, the Collateral, and provided further that such written request is received by the Holders in sufficient time to permit the Holders to take the requested action.

7. Protection of Liens and Collateral.

(a) At any time and from time to time whether or not an Event of Default then exists and without prior notice to or consent of any Debtor, the Holders may at their option take such actions as the Holders deem appropriate (i) to attach, perfect, continue, and preserve the Holders' perfected security interest in or lien on the Collateral, and (ii) to add all liabilities, obligations, costs, and expenses reasonably incurred in connection with clause (i) to the Debt, to be paid by the Debtors to the Holders upon demand; and

(b) At any time and from time to time after an Event of Default exists and is continuing and without prior notice to or consent of any Debtor, the Holders may at their option take such action as the Holders deem appropriate (i) to maintain, repair, protect, and insure the Collateral, (ii) to perform, keep, observe, and render true and correct any and all covenants, agreements, representations, and warranties of any Debtor hereunder, and (iii) to add all liabilities, obligations, costs,

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and expenses reasonably incurred in connection with the foregoing clauses (i) and (ii) to the Debt, to be paid by any Debtor to the Holders upon demand.

8. After Default. After there exists any Event of Default which is continuing under the Note Agreement:

(a) The Holders may request, without limiting the rights and remedies of the Holders otherwise provided hereunder or under the other Loan Documents, that each Debtor do any of the following: (i) give the Holders specific assignments of the material accounts receivable of such Debtor after such accounts receivable come into existence, and schedules of such accounts receivable, the form and content of such assignment and schedules to be reasonably satisfactory to Holders, and (ii) in order to better secure the Holders, to the extent permitted by Law, enter into such lockbox agreements and establish such lockbox accounts as the Holders may require, with the local banks in areas in which the Debtors may be operating (in such cases, all local lockbox accounts shall be depository transfer accounts titled in a manner acceptable to the Holders to indicate that the accounts are established in trust for the benefit of the Holders and the "Administrative Agent" and the "Banks" as defined and referred to in the Credit Agreement) which local banks shall have agreed to in writing to the Holders' requirements for the handling of such accounts and the transfer of account funds to the Holders, all at the sole expense of such Debtor, and shall direct all payments from all commercial payors and all other payors due to such Debtor, to such lockbox accounts.

(b) in addition to the rights and remedies set forth herein, the Holders: (a) may from time to time take such steps as the Holders deem necessary to protect the Holders' interest in and to preserve the Collateral,

including the hiring of such security guards or the placing of other security protection measures as the Holders may deem appropriate; (b) may employ and maintain at any of any Debtor's premises a custodian who shall have full authority to do all acts necessary to protect the Holders' interests in the Collateral; (c) may lease warehouse facilities to which Holders may move all or part of the Collateral; (d) may use any Debtor's owned or leased lifts, hoists, trucks and other facilities or equipment for handling or removing the Collateral; (e) may pursue landlords' or mortgagees' lien waivers with respect to each premises on which any of the Collateral is now or hereafter located and, in furtherance thereof, the Debtors agree to fully assist and cooperate with the Holders in such endeavor, and (f) shall have, and is hereby granted, a right of ingress and egress to the places where the Collateral is located, and may proceed over and through any of Debtor's owned or leased property; and, each Debtor shall cooperate fully with all of the Holders' efforts to preserve the Collateral and will take such actions to preserve the Collateral as the Holders may direct; and, all of the Holders' expenses of preserving the Collateral, including any expenses relating to the bonding of a custodian, shall be and become a part of the Debt secured hereby.

(c) The Holders shall have and may exercise all the rights and remedies available to a secured party under the UCC in effect at the time, and such other rights and remedies as may be provided by Law and as set forth below, including to take over and collect all of any Debtor's Collateral, and to this end each Debtor hereby appoints each Holder, its officers, employees and agents, as its irrevocable, true and lawful attorneys-in-fact with all necessary power and authority to, after an Event of Default: (i) take possession immediately, with or without notice, demand, or legal process, of any or all of the Collateral wherever found, and for such purposes, enter upon any premises upon which the Collateral may be found and remove the Collateral therefrom, (ii) require any Debtor to assemble the Collateral and deliver it to the Holders or to any place designated by the Holders at such Debtor's expense, (iii) demand and direct account debtors to make payment to the Holders of the Accounts, (iv) enforce payment of the material Accounts by legal proceedings or otherwise, (v) exercise all of any Debtor's rights and remedies with respect to the collection of material Accounts, (vi) settle, adjust,

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compromise, extend or renew the Accounts, (vii) settle, adjust or compromise any legal proceedings brought to collect material Accounts, (viii) to the extent permitted by applicable Law, sell or assign material Accounts upon such terms, for such amounts and at such time or times as the Holders deem advisable, (ix) discharge and release material Accounts, (x) take control, in any manner, of any item of payment or proceeds from any account debtor, (xi) prepare, file and sign any Debtor's name on any Proof of Claim in Bankruptcy or similar document against any account debtor, (xii) prepare, file, and sign any Debtor's name on any notice of Lien, assignment, or satisfaction of Lien or similar document in connection with material Accounts, (xiii) do all acts and things necessary, in the Holders' sole discretion, to fulfill any of any Debtor's obligations to the Holders under the Note Agreement, the Notes, the Guaranties, hereunder or otherwise, (xiv) endorse the name of any Debtor upon any check, chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to Inventory or material Accounts; (xv) access and use the information recorded on or contained in any data processing equipment or computer hardware or software relating to the Inventory, material Accounts, or other Collateral or proceeds thereof to which any Debtor has access, (xvi) demand, sue for, collect, compromise, and give acquittances for any and all Collateral, (xix) prosecute, defend, or compromise any action, claim or proceeding with respect to any of the Collateral, and (xx) take such other action as the Holders may deem appropriate, including extending or modifying the terms of payment of any Debtor's debtors. This power of attorney, being coupled with an interest, shall be irrevocable for the life of this Agreement. To the extent permitted by Law, each Debtor hereby waives all claims of damages due to or arising from or connected with any of the rights or remedies exercised by the Holders pursuant to this Agreement, except claims arising from gross negligence or willful misconduct by the Holders. Each Holder hereby accepts this power of attorney and all powers granted hereunder.

(d) The Holders shall have the right to lease, sell, or otherwise dispose of all or any of the Collateral at public or private sale or sales for cash, credit or any combination thereof, with such notice as may be required by Law (it being agreed by each Debtor that, in the absence of any

contrary requirement of Law, ten (10) days' prior notice of a public or private sale of Collateral shall be deemed reasonable notice, except as to that part of the Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market in which case no notice shall be required,)), in lots or in bulk, for cash or on credit, all as the Holders, in its sole discretion, may deem advisable. Such sales may be adjourned from time to time with or without notice. The Holders shall have the right to conduct such sales on any Debtor's premises or elsewhere and shall have the right to use any Debtor's premises without charge for such sales for such time or times as the Holders may see fit.

9. Application of Proceeds. Any of the Collateral or proceeds thereof held or realized upon at any time by the Holders shall be applied in accordance with the terms of the Note Agreement. Each Debtor shall remain liable to the Holders for and shall pay to the Holders any deficiency which may remain after such sale or collection.

10. Lease of Debtors Premises. If the Holders repossess or seek to repossess any of the Collateral pursuant to the terms hereof because of the occurrence of an Event of Default, then to the extent it is commercially reasonable for the Holders to store any Collateral on any of any Debtor's premises, each Debtor hereby agrees to lease to the Holders on a month-to-month tenancy for a period not to exceed one hundred eighty (180) days at the Holders' election, at a rental of One Dollar (\$1.00) per month, the premises on which the Collateral is located, provided it is located on premises owned or leased by such Debtor.

11. Termination. Upon indefeasible payment in full of the Debt, the expiration of all commitments, and termination of the Note Agreement, this Agreement shall terminate and be of no

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further force or effect, and the Holders shall thereupon promptly return to each Debtor such of the Collateral and such other documents delivered by such Debtor hereunder as may then be in the Holders' possession subject to the rights of third parties. Until such time, however, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

12. Waivers.

(a) No failure or delay on the part of the Holders in exercising any right, remedy, power, or privilege hereunder shall operate as a waiver thereof or of any other right, remedy, power, or privilege of the Holders hereunder; nor shall any single or partial exercise of any such right, remedy, power, or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. No waiver of a single Event of Default shall be deemed a waiver of any other or subsequent Events of Default. All waivers under this Agreement must be in writing and executed by the Holders. The rights and remedies of the Holders under this Agreement are cumulative and in addition to any rights or remedies which it may otherwise have, and the Holders may enforce any one or more remedies hereunder successively or concurrently at their option.

(b) Without releasing or diminishing any obligations of any Debtor, the Holders at any time and from time to time may release or impair any portion or portions of the Collateral from the liens and security interests of Holders therein, may take, impair, or release any other collateral for any Debt secured thereby, may release, impair, or discharge any Debt of any Debtor may waive, impair, or fail to enforce any of the Holders' rights under this Agreement, the Note Agreement, the Notes or any Guaranty may grant extensions, renewals, indulgences, and leniencies with respect to any of the Debt or with respect to any of the obligations of the Debtors and may apply to the Debt in such order as the Holders shall elect the proceeds of Collateral or any amount received in connection therewith or in connection with any other Loan Document, without resort or regard to other Collateral or any Debtor, and each Debtor hereby consents to all of the foregoing. Any and all defenses which any Debtor may now or hereafter have based on principles of suretyship, impairment of collateral, or the like are hereby waived. The Holders hereby expressly reserve their rights against each Debtor.

(c) Each Debtor hereby waives, surrenders, and agrees not to claim or enforce, so long as any Debt exists: (a) any right to be subrogated in whole or in part to any right or claim of any holder of any of the Debt, and (b) any right to require the marshalling of any assets of any Debtor, which right of subrogation or marshalling might otherwise arise for any reason including from any payment upon any of the Debt arising out of the enforcement of the security interest granted hereby to the Holders, or the liquidation of or realization upon the Collateral, any other collateral granted by any Debtor or by any other person or entity to the Holders, or any part thereof, or by the payment of any amounts owing hereunder or under the Debt.

13. Notices. All notices, statements, requests, and demands given to or made upon either party hereto in accordance with the provisions of this Agreement shall be given or made as provided in Section 18 of the Note Agreement.

14. Security Interest Data Schedule. Within thirty (30) days of the date hereof, each Debtor agrees to provide the Holders with a listing of all of its offices, stores, warehouses and other locations where any of the Collateral is stored or maintained, stating in case (1) the address of such premises, (2) whether the premises is owned or leased by such Debtor, (3) if the premises are leased, the name and

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address of the landlord, (4) the type and use of the facility, and (5) such other information as may be reasonably requested by the Holders. Each Debtor shall promptly notify the Holders of any changes in the information set forth thereon.

15. Specific Enforcement. Each Debtor acknowledges that the provisions hereof and of the Note Agreement giving the Holders rights of access to books, records, and information concerning the Collateral and such Debtor's operations and providing the Holders access to such Debtor's premises are a material right of the Holders. Each Debtor further acknowledges that, should such Debtor at any time fail to promptly provide such information and access to the Holders as provided for herein or in the Note Agreement, the Holders would have no adequate remedy at Law to promptly obtain the same. Each Debtor agrees that such provisions hereof and of the Note Agreement may be specifically enforced by the Holders and waives any claim or defense in any such action or proceeding that the Holders have an adequate remedy at Law.

16. Exculpation of Liability. Nothing herein contained shall be construed to constitute any Holder as any Debtor's agent for any purpose whatsoever, nor shall the Holders be responsible or liable, in the absence of the Holders' gross negligence or willful misconduct, for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof. No Holder, whether by anything herein or in any assignment or otherwise, shall assume any of any Debtor's obligations under any contract or agreement assigned to the Holders, and no Holder shall be responsible in any way for the performance by any Debtor of any of the terms and conditions thereof.

17. Successors. This Agreement shall be binding upon and inure to the benefit of the Holders and their respective successors and assigns, and each Debtor and each of its respective successors and assigns, except that no Debtor may assign or transfer such Debtor's obligations hereunder or any interest herein. All obligations of the Debtors for the payment of money hereunder shall be joint and several.

18. Governing Law. This Agreement shall be deemed to be a contract under the laws of the State of Ohio and for all purposes shall be governed by and construed in accordance with the laws of said Commonwealth excluding its rules relating to conflicts of law.

19. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

20. Counterparts; Telecopy. This Agreement may be signed in any number

of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of executed signature pages by facsimile transmission will constitute effective and binding execution and delivery.

21. Collateral Agent. Upon notice to Debtors, the Holders may appoint a collateral agent with respect to their rights and obligations hereunder and each Debtor agrees to permit such appointment and shall execute and deliver any documents or agreements reasonably necessary to accomplish the same.

[SIGNATURE PAGES FOLLOW]

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[SIGNATURE PAGE 1 OF 4 TO SECURITY AGREEMENT]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Security Agreement to be executed and delivered as of the day and year first above written.

DEBTORS:

BIG LOTS STORES, INC. (formerly CONSOLIDATED STORES CORPORATION, an Ohio corporation)

By: /s/ Jeffrey G. Naylor

Name: Jeffrey G. Naylor
Title: Senior Vice President, CFO

BIG LOTS, INC., an Ohio corporation (formerly CONSOLIDATED STORES CORPORATION, a Delaware corporation)

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

MAC FRUGAL'S BARGAINS o CLOSE-OUTS, INC., a Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

CAPITAL RETAIL SYSTEMS, INC., an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

PNS STORES, INC., a California corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

WEST COAST LIQUIDATORS, INC., a California corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

C.S. ROSS COMPANY, an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

CSC DISTRIBUTION, INC., an Alabama corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

CLOSEOUT DISTRIBUTION, INC., a Pennsylvania corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

INDUSTRIAL PRODUCTS OF NEW ENGLAND, INC., a Maine corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

TOOL AND SUPPLY COMPANY OF NEW ENGLAND, INC., a Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

MIDWESTERN HOME PRODUCTS, INC., a Delaware corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

MIDWESTERN HOME PRODUCTS COMPANY, LTD., an Ohio corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

CONSOLIDATED PROPERTY HOLDINGS, INC., a
Nevada corporation

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

GREAT BASIN LLC, a Delaware limited liability
company

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

SONORAN LLC, a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

SAHARA LLC, a Delaware limited liability company

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

[SIGNATURE PAGE 4 OF 4 TO SECURITY AGREEMENT]

DURANT DC, LLC (formerly DDC, LLC), a Delaware
limited liability company

By: /s/ Jeffrey G. Naylor

Title: Senior Vice President, CFO

SCHEDULE 1
TO
SECURITY AGREEMENT
HOLDERS

Allstate Life Insurance Company

3075 Sanders Road, STE G5B
Northbrook, IL 60062-7172

Transamerica Occidental Life Insurance Company

c/o AEGON USA Investment Management, Inc.
400 West Market Street
Louisville, KY 40202-5335

GE Edison Life Insurance Company

6620 West Broad Street
Richmond, VA 23230

General Electric Capital Assurance Company	6620 West Broad Street Richmond, VA 23230
Connecticut General Life Insurance Company	c/o CIGNA Retirement & Investment Services 280 Trumbull Street, H16B Hartford, CT 06103
Life Insurance Company of North America	c/o CIGNA Retirement & Investment Services 280 Trumbull Street, H16B Hartford, CT 06103
The Travelers Insurance Company	242 Trumbull Street, 7th floor Hartford, CT 06115-0449
The Travelers Life and Annuity Company	242 Trumbull Street, 7th floor Hartford, CT 06115-0449
Principal Life Insurance Company	801 Grand Avenue Des Moines, IA 50392-0301
First Allmerica Financial Life Insurance Company	440 Lincoln Street Worcester, MA 01653
Hartford Life and Annuity Insurance Company	c/o Hartford Investment Management Company 55 Farmington Avenue Hartford, CT 06105
Nationwide Life Insurance Company	One Nationwide Plaza (1-33-07) Columbus, OH 43215-2220
American Family Life Insurance Company	6000 American Parkway Madison, WI 53783-0001
Pacific Life Insurance Company	700 Newport Center Drive Newport Beach, CA 92660-6397
Phoenix Life Insurance Company	56 Prospect Street Hartford, CT 06115
Clarica Life Insurance Company - U.S.	c/o Clarica U.S., Inc. 13890 Bishop's Drive, Suite 300 Brookfield, WI 53005
MAC & CO., as nominee	120 Broadway New York, NY 10271
SALKELD & CO., as nominee	14 Wall Street New York, NY 10005
BAND & CO., as nominee	1555 N. Rivercenter Dr. Suite 210 Milwaukee, WI 53212-3958
CIG & CO., as nominee	c/o CIGNA Retirement & Investment Services 280 Trumbull Street, H16B Hartford, CT 06103
TRAL & CO., as nominee	One Chase Manhattan Plaza New York, NY 10081

SCHEDULE A
TO
SECURITY AGREEMENT

ENTITY	STATE OF INCORPORATION	EIN	ORGANIZATIONAL ID#
Big Lots, Inc.	Ohio	06-111-9097	1215332
Big Lots Stores, Inc.	Ohio	31-1186811	669545
Mac Frugal's Bargains o Close-outs, Inc.	Delaware	95-2745285	
Capital Retail Systems, Inc.	Ohio	31-1602827	1009905
PNS Stores, Inc.	California	95-2745262	C0636909
West Coast Liquidators, Inc.	California	95-1813424	C0293778

C.S. Ross Company	Ohio	31-1286182	763455
CSC Distribution, Inc.	Alabama	06-1108785	
Closeout Distribution, Inc.	Pennsylvania	31-1650309	2878048
Industrial Products of New England, Inc.	Maine	01-0392472	19840699D
Tool and Supply Company of New England, Inc.	Delaware	51-0316540	
Midwestern Home Products, Inc.	Delaware	51-0316542	
Midwestern Home Products Company, Ltd.	Ohio	31-1455723	928329
Consolidated Property Holdings, Inc.	Nevada	86-0860984	C1345-1997
Great Basin LLC	Delaware	31-1686158	
Sonoran LLC	Delaware	31-1686155	
Sahara LLC	Delaware	31-1686162	
Durant DC, LLC	Delaware	01-0562033	

Address for Debtors:
(except Consolidated Property Holdings, Inc.)

300 Phillipi Road
Columbus, OH 43228

Address for Consolidated Property Holdings, Inc.:

2835 South Jones Blvd., Suite 8
Las Vegas, NV 89146

SUBSIDIARIES

NAME ----	JURISDICTION -----
1. Durant DC, LLC	DE
2. Capital Retail Systems, Inc	OH
3. Big Lots Stores, Inc.	OH
4. Mac Frugal's Bargains Close-outs Inc	DE
5. PNS Stores, Inc	CA
6. West Coast Liquidators, Inc	CA
7. CSC Distribution, Inc	AL
8. Closeout Distribution, Inc	PA
9. Consolidated Property Holdings, Inc	NV
10. C.S. Ross Company	OH
11. Great Basin LLC	DE
12. Industrial Products of New England, Inc	ME
13. Midwestern Home Products, Inc	DE
14. Midwestern Home Products Company, Ltd	OH
15. Tool and Supply Company of New England, Inc	DE
16. SS Investments Corporation	DE
17. Sonoran LLC	DE
18. Sahara LLC	DE
19. Barn Acquisition Corporation	DE
20. Fashion Barn, Inc	NY
21. Fashion Barn of New Jersey, Inc	NJ
22. Fashion Barn of Florida, Inc	FL
23. Fashion Barn of Indiana, Inc	IN
24. Fashion Barn of Pennsylvania, Inc	PA
25. Fashion Barn of Oklahoma, Inc	OK
26. Fashion Barn of Texas, Inc	TX
27. Fashion Barn of Ohio, Inc	OH
28. Fashion Outlets Corp	NY
29. Fashion Barn of Vermont, Inc	VT
30. Fashion Barn of Virginia, Inc	VA
31. Fashion Barn of South Carolina, Inc	SC
32. Fashion Barn of North Carolina, Inc	NC
33. Fashion Barn of West Virginia, Inc	WV
34. Fashion Bonanza, Inc	NY
35. Rogers Fashion Industries, Inc	NY and NJ
36. Saddle Brook Distributors, Inc	NY
and NJ	
37. DTS, Inc	NY and TN
38. Fashion Barn of Missouri, Inc	MO
39. Fashion Barn, Inc	MA
40. Fashion Barn of Georgia, Inc	GA

INDEPENDENT AUDITORS' CONSENT

We hereby consent to the incorporation by reference in (i) Registration Statement No. 33-42502 on Form S-8 pertaining to Big Lots, Inc. Director Stock Option Plan (ii) Registration Statement No. 33-42692 on Form S-8 pertaining to Big Lots, Inc. Supplemental Savings Plan (iii) Post Effective Amendment No. 2 to Registration Statement No. 33-6068 on Form S-8 pertaining to Big Lots, Inc. Executive Stock Option and Stock Appreciation Rights Plan (iv) Post Effective Amendment No. 1 to Registration Statement No. 33-19378 on Form S-8 pertaining to Big Lots, Inc. Savings Plan (v) Post Effective Amendment No. 2 to Registration Statement No. 333-2545 on Form S-3 pertaining to the issuance of Big Lots, Inc. Common Shares (vi) Registration Statement No. 333-32063 on Form S-8 pertaining to Big Lots, Inc. 1996 Performance Incentive Plan and (vii) Registration Statement No. 333-41143 on Form S-4 pertaining to the issuance of Big Lots, Inc. Common Shares of our report dated February 26, 2002, appearing in this Annual Report on Form 10-K of Big Lots, Inc. for the year ended February 2, 2002.

Deloitte & Touche LLP
Dayton, Ohio
April 29, 2002

FORM 10-K