

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JULY 29, 2000

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

Commission file number 1-8897

CONSOLIDATED STORES CORPORATION

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

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

The number of shares of Common Stock, \$.01 par value per share, outstanding as of September 7, 2000, was 111,450,511 and there were no shares of Nonvoting Common Stock, \$.01 par value per share, outstanding at that date.

FORM 10-Q

CONSOLIDATED STORES CORPORATION
QUARTERLY REPORT ON FORM 10-Q

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PAR VALUE)

ASSETS	July 29, 2000 ----- (Unaudited)	January 29, 2000 -----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 59,885	\$ 96,337
Inventories	863,126	735,926
Deferred income taxes	74,354	68,282
Other current assets	64,424	42,216
- - - - -	-----	-----
Total current assets	1,061,789	942,761
- - - - -	-----	-----
Property and equipment - net	456,070	433,077
Other assets	4,222	4,713
Net assets of discontinued segment	667,807	482,148
- - - - -	-----	-----
	\$2,189,888	\$1,862,699
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 184,794	\$ 181,869
Accrued liabilities and income taxes	87,117	115,374
Current maturities of long-term obligations	99,600	140,100
- - - - -	-----	-----
Total current liabilities	371,511	437,343
- - - - -	-----	-----
Long-term obligations	515,000	50,000
Deferred income taxes and other liabilities	75,127	75,294
- - - - -	-----	-----
STOCKHOLDERS' EQUITY:		
Preferred stock - authorized 2,000 shares, \$.01 par value; none issued	-	-
Common stock - authorized 290,000 shares, \$.01 par value; issued 111,364 shares and 111,000 shares, respectively	1,114	1,110
Nonvoting common stock - authorized 8,000 shares, \$.01 par value; none issued	-	-
Additional paid-in capital	411,687	407,647
Retained earnings	815,449	891,305
- - - - -	-----	-----
Total stockholders' equity	1,228,250	1,300,062
- - - - -	-----	-----
	\$2,189,888	\$1,862,699
	=====	=====

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

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER COMMON SHARE DATA)

(Unaudited)

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JULY 29, 2000	JULY 31, 1999	JULY 29, 2000	JULY 31, 1999
Net sales	\$ 708,518	\$ 641,638	\$ 1,431,657	\$ 1,286,217
Costs and expenses:				
Cost of sales	410,008	368,392	829,454	734,495
Selling and administrative expenses	278,243	255,664	554,727	509,888
Interest expense	4,934	3,666	8,467	6,806
-	-	-	-	-
	693,185	627,722	1,392,648	1,251,189
-	-	-	-	-
Income from continuing operations before income taxes	15,333	13,916	39,009	35,028
Income tax expense	6,056	5,497	15,408	13,836
-	-	-	-	-
Income from continuing operations	9,277	8,419	23,601	21,192
Discontinued operations	(71,956)	(12,835)	(99,457)	(29,329)
-	-	-	-	-
Net loss	\$ (62,679)	\$ (4,416)	\$ (75,856)	\$ (8,137)
	=====	=====	=====	=====
Income (loss) per common share - basic:				
Income from continuing operations	\$ 0.08	\$ 0.08	\$ 0.21	\$ 0.19
Discontinued Operations	(0.64)	(0.12)	(0.89)	(0.26)
-	-	-	-	-
Net loss	\$ (0.56)	\$ (0.04)	\$ (0.68)	\$ (0.07)
	=====	=====	=====	=====
Income (loss) per common share - diluted:				
Income from continuing operations	\$ 0.08	\$ 0.07	\$ 0.21	\$ 0.19
Discontinued operations	(0.64)	(0.11)	(0.89)	(0.26)
-	-	-	-	-
Net loss	\$ (0.56)	\$ (0.04)	\$ (0.68)	\$ (0.07)
	=====	=====	=====	=====
Average common shares outstanding:				
Basic	111,360	110,123	111,233	109,982
Dilutive effect of stock options	1,191	3,266	1,144	3,266
-	-	-	-	-
Diluted	112,551	113,389	112,377	113,248
	=====	=====	=====	=====

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

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(Unaudited)

	TWENTY-SIX WEEKS ENDED	
	JULY 29, 2000	JULY 31, 1999
OPERATING ACTIVITIES:		
Net loss	\$ (75,856)	\$ (8,137)
Adjustments to reconcile net loss to net cash used in operating activities:		
Discontinued operations	99,457	29,329
Depreciation and amortization	30,651	27,243
Deferred income taxes	(6,239)	30,462
Other	4,457	6,706
Change in assets and liabilities	(174,740)	(169,306)
Cash used by discontinued operations	(285,116)	(114,000)
Net cash used in operating activities	(407,386)	(197,703)
INVESTING ACTIVITIES:		
Capital expenditures	(54,045)	(35,670)
Other	360	875
Net cash used in investing activities	(53,685)	(34,795)
FINANCING ACTIVITIES:		
Proceeds from credit arrangements, net	424,500	232,300
Proceeds from exercise of stock options	119	8,092
Net cash provided by financing activities	424,619	240,392
Increase (decrease) in cash and cash equivalents	\$ (36,452)	\$ 7,894
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	\$ 67,576	\$ 41,652
Interest paid	12,431	10,535

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

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated balance sheet at July 29, 2000, and the condensed consolidated statements of operations and statements of cash flows for the thirteen week and twenty-six week periods ended July 29, 2000 and July 31, 1999, have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations, and cash flows for all periods presented have been made. Such adjustments consisted only of normal recurring items.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted or condensed, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that the condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2000. Interim results are not necessarily indicative of results for a full year.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Company is required to adopt SFAS No. 133 in the year ended February 2, 2002. SFAS No. 133 establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. In June 1999, SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133-- an amendment of FASB Statement No. 133," was issued. This amendment delayed the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. Management is reviewing the impact of SFAS No. 133 on its financial statements, and does not believe that its adoption will have a material impact on the consolidated financial position, results of operations and cash flows.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements," which provides guidance on applying accounting principles generally accepted in the United States of America for recognizing revenue. SAB No. 101, as amended, is effective for the fourth quarter of 2000. Management is reviewing the impact of SAB No. 101 on its financial statements, and does not believe that its adoption will have a material impact on the consolidated financial position, results of operations and cash flows.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - DISCONTINUED OPERATIONS

On June 27, 2000, the Company announced its decision to separate the toy and closeout businesses by divesting the Company's K*B Toy Division. The Company plans to complete the divestiture within 12 months from the June announcement. The financial statements and notes have been reclassified for all periods presented to reflect the toy segment as a discontinued operation. During the second quarter, the Company recorded a \$72.0 million charge, net of tax, associated with the planned divestiture. The charge represents costs to reposition and exit the business along with estimated and actual operating results prior to divestiture. The second quarter net loss from operations of the toy segment of \$20.7 million relates to the segment's results of operations prior to the measurement date of June 27, 2000.

Included in the Loss on disposal were reserves for inventory sku rationalization of \$54.6 million (before taxes), of which approximately \$50.0 million has been utilized as of July 29, 2000. The remainder is expected to be utilized prior to the divestiture. The net assets of the toy segment principally represent working capital items including inventory, accounts payable and accrued expenses, as well as fixed assets at July 29, 2000 and January 29, 2000. At July 29, 2000, the discontinued operations had assets of \$845.8 million and liabilities of \$178.0 million.

The following are the components of discontinued operations:

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JULY 29, 2000	JULY 31, 1999	JULY 29, 2000	JULY 31, 1999
(All dollar amounts in thousands)				
Loss from operations of toy segment, net of income tax benefit of \$13,515 and \$31,470 in the thirteen and twenty-six weeks ended July 29, 2000, respectively	\$ (20,700)	\$ (12,835)	\$ (48,201)	\$ (29,329)
Loss on disposal of toy segment, net of income tax benefit of \$18,389	(51,256)	-	(51,256)	-
	<u>\$ (71,956)</u>	<u>\$ (12,835)</u>	<u>\$ (99,457)</u>	<u>\$ (29,329)</u>

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

All forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this quarterly report or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Accordingly, the Company's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements and, among other things, are based on the Company's current best estimates that may be proven incorrect as additional information becomes available. While the Company believes its assumptions are reasonable, it cautions that it is impossible to predict factors that could cause actual costs or timetables to differ materially from the expected results. Additionally, the following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 2000 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by management: changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, political stability, currency and exchange risks and changes in existing or potential duties, tariffs or quotas, availability of suitable store locations at appropriate terms, ability to develop new merchandise, and ability to hire and train associates.

The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized. Readers are also urged to carefully review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors which affect the Company's business, including Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report, as well as, the Company's periodic reports filed with the Securities and Exchange Commission.

RECENT ANNOUNCEMENTS

On June 27, 2000, the Company announced its decision to separate the toy and closeout businesses by divesting the company's K*B Toy Division. The Company plans to complete the divestiture within 12 months from the June announcement. During the second quarter, the Company recorded a \$72.0 million charge, net of tax, associated with the planned divestiture. The charge represents costs to reposition and exit the business along with estimated and actual operating results prior to divestiture.

OVERVIEW

The Company is a leading value retailer with its continuing operations specializing in closeout merchandise. The Company is the largest retailer of closeout products in the United States. The Company's goal is to build upon its leadership position by expanding its market presence in both existing and new markets. The Company believes that the combination of its strengths make it a low-cost value retailer well positioned for future growth.

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

At July 29, 2000, the Company operated a total of 1,258 retail closeout stores in 45 states, operating as Odd Lots, Big Lots, Big Lots Furniture, MacFrugal's Bargains - Close-outs and Pic `N' Save.

Wholesale operations are conducted through Consolidated International and Wisconsin Toy.

As part of the discounted operation, the Company operated a total of 1,309 retail toy stores in all 50 states, Puerto Rico and Guam as K*B Toys, K*B Toy Works, K*B Toy Outlet and conducted online sales of children's products as KBkids.com.

The Company has historically experienced, and expects to continue to experience, seasonal fluctuations, with a significant percentage of its net sales and income 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.

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

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JULY 29, 2000	JULY 31, 1999	JULY 29, 2000	JULY 31, 1999
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Gross profit	42.1	42.6	42.1	42.9
Selling and administrative expenses	39.3	39.8	38.7	39.6
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Operating profit	2.9	2.7	3.3	3.3
Interest expense	0.7	0.5	0.6	0.6
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Income from continuing operations before income taxes	2.2	2.2	2.7	2.7
Income tax expense	0.9	0.9	1.1	1.1
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Income from continuing operations	1.3	1.3	1.6	1.6
Discontinued operations	(10.1)	(2.0)	(6.9)	(2.2)
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Net loss	(8.8) %	(0.7) %	(5.3) %	(0.6) %
	=====	=====	=====	=====
Number of stores in operation at end of period	1,258	1,177	1,258	1,177

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

RESULTS OF OPERATIONS

NET SALES - Net sales for the thirteen and twenty-six week periods ended July 29, 2000, increased 10.4% and 11.3%, respectively, when compared to the comparable periods in 1999. These increases were attributable to the increased number of stores in operation for each period in 2000 in addition to comparable stores sales increases of 3.7% for the quarter and 4.4% for the year to date period.

GROSS PROFIT - Gross profit as a percent of net sales was 42.1% for the second quarter of fiscal 2000 compared to 42.6% in the same 1999 period. Gross profit as a percent of net sales was 42.1% and 42.9% for the first six months of fiscal 2000 and 1999, respectively. The declines were the result of a shift in the level of consumable merchandise available in the respective periods.

SELLING AND ADMINISTRATIVE EXPENSES - As a percentage to net sales, selling and administrative expenses were 39.3% in the second quarter of fiscal 2000 and 38.7% for the year to date period. In the respective periods of fiscal 1999, selling and administrative expenses were 39.8% and 39.6%. Current year's rate improvement is primarily attributable to more effective leveraging of fixed expenses combined with more efficient distribution and transportation.

INTEREST EXPENSE - Interest expense increased \$1.3 million in the second quarter of 2000 and increased \$1.7 million for the year to date period. The change in interest expense reflects higher average borrowing levels and higher effective interest rates.

INCOME TAXES - The effective tax rate of the Company is anticipated to be 39.5% in fiscal 2000.

CAPITAL RESOURCES AND LIQUIDITY

The primary sources of liquidity for the Company have been cash flow from operations and as necessary borrowings under available credit facilities. Working capital at July 29, 2000, was \$690.3 million and for the twenty-six week period then ended net cash used by operations was \$407.4 million and capital expenditures were \$54.0 million.

The Company has a Revolving Credit Facility that provides senior bank financing in an aggregate principal amount of up to \$700 million. The facility has a maturity date of May 15, 2003. From time-to-time the Company also utilizes uncommitted credit facilities, subject to the terms of the Revolving Credit Facility, to supplement short-term borrowing requirements. At July 29, 2000, approximately \$30.0 million was available for borrowings under the Revolving Credit Facility and \$130.4 million of uncommitted credit facilities were available.

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.

PART II - OTHER INFORMATION

- Item 1. Legal Proceedings. Not applicable.
- Item 2. Changes in Securities. Not applicable.
- Item 3. Defaults Upon Senior Securities. Not applicable.
- Item 4. Submission of Matters to a Vote of Security Holders.

(a) The Company's Annual Meeting was held on May 16, 2000. The number of shares of voting Common Stock, \$.01 par value, outstanding as of March 24, 2000, the record date, was 110,995,171. The number of shares of Common Stock of the Company represented in person or by proxy and eligible to vote was 90,407,523. The stockholders voted on the following matters:

- (1) Election of Directors. Proxies were solicited by management pursuant to Regulation 14 under the Securities Exchange Act of 1934. There was no solicitation in opposition to management's nominees as listed in the proxy statement. All of the nominee's were elected pursuant to a vote of the stockholders.
- (2) To consider a shareholder proposal seeking the termination of the Company's Rights Agreement or stockholder action thereon.

The vote on this proposal was:

58,923,629	20,638,622	2,229,042
-----	-----	-----
(For)	(Against)	(Abstain - including broker non-votes)

- (3) To transact other business as properly presented before the meeting.

The vote on this proposal was:

45,036,830	18,705,613	24,946,407
-----	-----	-----
(For)	(Against)	(Abstain - including broker non-votes)

Item 5. Other Information.

On June 26, 2000, the Company entered into Employment Agreements with Michael J. Potter and Albert J. Bell, copies of which are attached hereto as Exhibits 10(a) and 10(b), respectively. On June 27, 2000, the Company entered into an Amended and Restated Employment Agreement with William G. Kelley, a copy of which is attached hereto as Exhibit 10(c).

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

(a) Exhibits.

Exhibit No. -----	Document -----
10(a)	Employment Agreement with Michael J. Potter dated as of June 26, 2000.
10(b)	Employment Agreement with Albert J. Bell dated as of June 26, 2000.
10(c)	Amended and Restated Employment Agreement with William G. Kelley dated June 27, 2000.
27	Financial Data Schedule

(b) Reports on Form 8-K.

None.

SIGNATURE

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

CONSOLIDATED STORES CORPORATION

(Registrant)

Dated: September 8, 2000

By: /s/ Mark D. Shapiro

Mark D. Shapiro, Senior Vice
President & Chief Financial Officer

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of the 26th day of June, 2000, by and among CONSOLIDATED STORES CORPORATION, a Delaware corporation ("CSC"), CONSOLIDATED STORES CORPORATION, an Ohio corporation ("Consolidated") (CSC and Consolidated are hereinafter jointly referred to as "Employer"), and Michael J. Potter, an individual residing in Ohio ("Executive").

W I T N E S S E T H:

WHEREAS, Employer and Executive desire to enter into this Employment Agreement to insure to Employer and Employer's direct and indirect subsidiaries the services of Executive and to set forth the rights and duties of the parties thereto; and

WHEREAS, Executive is a director of each of CSC and Consolidated; and

WHEREAS, the Board of Directors of CSC and Consolidated have elected Executive as Chief Executive Officer of each of CSC and Consolidated, and shall elect Executive as Chairman of the Board of Directors of CSC on August 15, 2000.

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

1. EMPLOYMENT; DUTIES.

(a) EMPLOYMENT. Employer employs Executive as the senior officer of each of CSC and Consolidated, with such duties as may from time to time be prescribed by the Board of Directors of CSC and Consolidated and as the Chairman of the Board of Directors and Chief Executive Officer of each of CSC and Consolidated, and Executive hereby accepts such employment, on the terms and conditions hereinafter set forth.

(b) DUTIES. During the term of this Employment Agreement, Executive shall devote his entire business time and attention to his employment and perform diligently such

duties as are customarily performed by the Chairman of the Board of Directors and Chief Executive Officer of a company the size and structure of CSC and its subsidiaries, together with, as of the date hereof, such other duties as may be reasonably requested from time to time by the Board of Directors of CSC or Consolidated, which duties shall be consistent with his position as set forth above and in Paragraph 2 of this Employment Agreement. Executive shall cooperate and work with all committees formed by the Board of Directors of CSC or Consolidated. As Chief Executive Officer, Executive shall have the authority to implement the policies and decisions of the Board of Directors and to direct Employer's business strategy, development and operations. So long as Executive shall serve as Chief Executive Officer, Executive shall report only to the Board of Directors of each of CSC and Consolidated and shall not be subject to the authority, direction or discretion of any officer, whether in a position now existing or hereafter created or appointed. All employees of CSC and Consolidated shall, directly or indirectly, report to Executive.

Any material adverse modification or diminution of Executive's duties or diminution in Executive's authority, title or office shall be considered to be a Change in Control of Employer and shall entitle Executive, in addition to any other rights he may have, to the rights and remedies provided in Paragraph 7(d) hereof; PROVIDED, HOWEVER, that Executive shall notify Employer of any alleged such modification or diminution, specifying the same, and Employer shall have a period of fifteen (15) days after such notice to cure such alleged modification or diminution before Executive shall be entitled to exercise any such rights and remedies. The right of Employer to cure any modification or diminution in Executive's authority, title or office set forth in the immediately preceding sentence shall be applicable only in the event that a "Change in Control" shall have occurred solely by reason of such modification or diminution of duties or authority and shall not be applicable following the occurrence of any change in Control as defined in Paragraph 7(f) below.

(c) FULL TIME AND ATTENTION. Except as expressly permitted herein, Executive shall not, without the prior written consent of Employer, directly or indirectly during the term of this Employment Agreement, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise. So long as it does not interfere with his full time employment hereunder, Executive may (i) attend to outside investments and serve as a director, trustee or officer of or otherwise participate in educational, welfare, social, religious and civic organizations and (ii) serve as a director of not more than two (2) public corporations that are not engaged in the Company Business (as defined in Paragraph 9(a) hereof).

(d) BUSINESS DECISIONS. Executive shall have no liability to Employer for any act or omission undertaken during the term of this Employment Agreement in his good faith business judgment in furtherance of his duties as prescribed in or under this Employment Agreement.

2. TERM AND POSITIONS.

(a) TERM. Subject to the provisions for termination as hereinafter provided, the term of this Employment Agreement shall begin on June 26, 2000 and shall continue thereafter until Executive's employment is terminated as provided in Paragraph 7. This Employment Agreement supersedes and replaces the May 19, 1998 Senior Executive Severance Agreement between Employer and Executive.

(b) POSITIONS. Executive shall, without any compensation in addition to that which is specifically provided in this Employment Agreement, serve as an officer of CSC and of Consolidated and in such substitute or further offices or positions with Employer or any subsidiary of Employer as shall from time to time be reasonably requested by the Board of Directors of CSC. Each office and position with Employer or any subsidiary of Employer in which Executive may serve or to which he may be appointed shall be consistent in title and duties with Executive's position as Chief Executive Officer of Employer. For service as a

director or officer of CSC, Consolidated or any subsidiary of either of them, which service shall in each instance be deemed to be at the request of CSC and its Board of Directors, Executive shall be entitled to the protection of the applicable indemnification provisions of the charter and by-laws of CSC, Consolidated and any such subsidiary and Employer agrees to indemnify and hold harmless Executive from and against any claims, liabilities, damages or expenses incurred by Executive in or arising out of the status, capacities and activities as an officer or director of CSC, Consolidated and any subsidiary of either to the maximum extent permitted by law. For purposes of this Employment Agreement, all references herein to subsidiaries of CSC and/or Consolidated shall be deemed to include references to subsidiaries now or hereafter existing.

3. COMPENSATION.

(a) SALARY. For all services he may render to CSC and Consolidated (and any subsidiary of either of them) during the term of this Employment Agreement, as determined by the Compensation Committee of the CSC Board of Directors, Employer shall pay to Executive, commencing on June 26, 2000, a minimum salary at the rate (the "Salary Rate") of Six Hundred Fifty Thousand Dollars (\$650,000.00) per annum, payable in those installments customarily used in payment of salaries to Employer's executives (but in no event less frequently than monthly). At least annually, the Compensation Committee of the CSC Board of Directors shall review Executive's performance and determine whether an increase in the Executive's Salary Rate is merited.

(b) BONUS. In addition to the salary compensation as above stated, Employer shall pay to Executive bonus compensation during the term of this Employment Agreement in amounts to be determined and paid as follows:

- (i) Beginning January 30, 2000 for each fiscal year of Employer completed during the term of this Employment Agreement, an amount equal to the Salary Rate at the end of such fiscal year

multiplied by the Bonus Payout percentage as determined by the Bonus Program set each fiscal year by the Compensation Committee of the CSC Board of Directors. The Bonus Program is based upon the achievement of Employer's annual financial plan. The Target Bonus for Executive is 100% of base salary and the Stretch Bonus for Executive is 200% of base salary, both of which are defined in the Bonus Program and are subject to adjustment by the Board of Directors of CSC; provided however, Executive's Target Bonus shall never fall below 100% of base salary and Executive's Stretch Bonus shall never fall below 200% of base salary.

- (ii) Any bonus paid for a fiscal year under Paragraph 3(b)(i) shall be paid within forty-five (45) days after Employer's independent auditor has delivered its opinion with respect to the financial statements of Employer for such fiscal year (whether or not Executive is then in the employ of Employer). Employer shall use all reasonable efforts to cause such auditor to deliver such opinion within forty-five (45) days after the close of such fiscal year.
- (iii) For purposes of this Employment Agreement, the term "fiscal year" shall mean with respect to any year, the period commencing on the Sunday next following the Saturday closest to January 31 in a calendar year and ending in the next following calendar year on the Saturday closest to January 31.

4. DISABILITY IN THE EVENT OF DEATH OR PERMANENT DISABILITY. In the event of a termination of employment as a consequence of Employee's death or "permanent disability" (as defined below) during the term of this Employment Agreement:

(a) Executive or his estate, as the case may be, shall be entitled to receive a prorata portion of the bonus applicable to the fiscal year in which such death or permanent disability occurs, as such bonus is determined under Paragraph 3(b) of this Employment Agreement. Such prorata portion shall be determined by multiplying a fraction, the numerator of which shall be the number of days in the applicable fiscal year elapsed prior to the date of death or permanent disability, as the case may be, and the denominator of which shall be 365, by the amount of bonus that would have been payable, if any, pursuant to such Paragraph 3(b), if Executive had remained employed under this Employment Agreement for the entire applicable fiscal year. The bonus shall be paid when and as provided in Paragraph 3(b)(ii) of this Employment Agreement.

(b) Upon permanent disability Executive shall be entitled to six (6) months of short term disability at his then current Salary Rate. At the end of the six month period Executive shall be entitled to long term disability at a minimum rate of twenty five thousand dollars (\$25,000.00) per month, tax free, until age sixty-five (65).

(c) Except as otherwise provided in Paragraphs 5, 6 and 8 of this Employment Agreement, Executive shall be entitled to no further compensation or other benefits under this Employment Agreement, except as to that portion of any unpaid salary and other benefits accrued and earned by him hereunder up to and including the date of such death or permanent disability, as the case may be.

(d) For the purposes of this Employment Agreement, except as modified in paragraph 4(b) above, Executive's "permanent disability" occurrence and benefits shall be

determined in the same manner as are other such occurrences and benefits under Employer's Disability Policy in effect at the date of the occurrence.

5. TRANSPORTATION. During the term of this Employment Agreement, Employer shall provide Executive with a current luxury model automobile purchased or leased by Employer, in accordance with applicable policies of Employer. Employer shall pay all maintenance and repair expenses with respect to the automobile, procure and maintain in force at Employer's expense collision, comprehensive, and liability insurance coverage with respect to the automobile, and pay operating expenses with respect to the automobile to the extent such operating expenses are incurred in the conduct of Employer's business. Commencing June 26, 2000, Executive shall be entitled to a similar vehicle every three years or 36,000 miles, whichever occurs first.

6. LIFE INSURANCE AND OTHER BENEFITS.

(a) VACATION AND SICK LEAVE. Executive shall be entitled to such periods of vacation and sick leave allowance each year which shall not be less than as provided under Employer's Vacation and Sick Leave Policy for executive officers.

(b) GROUP PLANS, ETC. Executive shall be entitled to participate in any group life, hospitalization, or disability insurance plan, health program, or other executive benefit plan (other than bonus compensation or performance plans to the extent that such plans, in the case of Executive, are in lieu of the bonus plan set forth in Paragraph 3(b) above) that is generally available to senior executive officers, as distinguished from general management, of Employer. Executive's participation in and benefits under any such plan shall be on the terms and subject to the conditions specified in the governing document of the particular plan. Up to the applicable maximum, executive shall be entitled to 100% reimbursement of his medical and dental expenses incurred during the term of this Employment Agreement.

7. TERMINATION AND FURTHER COMPENSATION.

(a) The employment of Executive under this Employment Agreement and the term hereof may be terminated:

- (i) by Employer or Executive at any time upon thirty (30) days notice to the other party of such termination, or
- (ii) by Employer on death or permanent disability of Executive, or
- (iii) By Employer for cause at any time. For purposes hereof, the term "cause" shall mean:
 - (A) Executive's conviction of fraud or a felony or any crime involving moral turpitude or Executive's commission of acts of embezzlement or theft in connection with his duties or in the course of his employment with Employer or any subsidiary;
 - (B) Executive's willful breach of any material provision of this Employment Agreement which failure has not been cured in all substantial respects within ten (10) days after Employer gives notice thereof to Executive; or
 - (C) Executive's willful, wrongful engagement in any Competitive Activity (as that term is hereinafter defined).

Any termination of Executive for "cause" shall not be effective until all the following shall have taken place:

- (i) The Secretary of CSC pursuant to resolution of the Board of Directors of CSC, shall have given written notice to Executive that, in the opinion of the Board of Directors, Executive may be terminated for cause, specifying the details;

- (ii) Executive shall have been given a reasonable opportunity to appear before the Board of Directors prior to the determination of the Board evidenced by such resolution;
- (iii) With respect to any matters other than Executive's conviction of fraud or a felony or a crime involving moral turpitude, Executive shall neither have ceased to engage in the activity giving rise to the proposed determination for cause within thirty (30) days after his receipt of such notice nor diligently taken all reasonable steps to that end during such thirty (30) day period and thereafter;
- (iv) After complying with the procedures set forth in subparagraphs (i) through (iii) above, Executive shall have been delivered a certified copy of a resolution of the Board of Directors of CSC adopted by the affirmative vote of not less than three-fourths (3/4) of the entire membership of the Board of Directors finding that Executive was guilty of the conduct giving rise to the termination for cause.

Any termination by reason of the foregoing shall not be in limitation of any other right or remedy Employer may have under this Employment Agreement, at law, in equity or otherwise. On any termination of this Employment Agreement, Executive shall be deemed to have resigned from all offices and directorships held by Executive in Employer and any subsidiaries of CSC.

The term "Competitive Activity" shall mean Executive's participation, without the written consent of the Board of Directors of CSC, in the management of any business operation of any enterprise if such operation (a "Competitive Operation") engages in substantial and direct competition with Employer or any subsidiary. For purposes of this Employment Agreement, a business enterprise shall be considered in substantial and direct competition with Employer or

any subsidiary, if such business operation's sales, related to any activity then engaged in by Employer, amount to ten percent (10%) or more of such business operation's total sales. At the date hereof, Employer is engaged in the sale of closeout merchandise, toy merchandise and furniture. "Competitive Activity" shall not include (i) the mere ownership of securities in any publicly traded enterprise and the exercise of rights appurtenant thereto or (ii) participation in management of any publicly traded enterprise or business operation thereof other than in connection with the Competitive Operation of such enterprise.

(b) In the event of termination for any of the reasons set forth in subparagraph (a)(iii) of this Paragraph 7, except as otherwise provided in Paragraph 8 of this Employment Agreement, Executive shall be entitled to no further compensation or other benefits under this Employment Agreement (other than as provided by law), except as to that portion of any unpaid salary and other benefits accrued and earned by him hereunder up to and including the effective date of such termination, and Executive shall not be entitled to receive any bonus determined under Paragraph 3 of this Employment Agreement or otherwise, except for and in respect of completed fiscal years for which Executive has not then been paid.

(c) In the event of the termination of Executive's employment by Employer pursuant to subparagraph (a)(i) above, Executive shall be entitled to severance compensation as follows: (x) the continuation of his compensation for a period of 2 years, including bonus compensation (as provided below), and (y) all other benefits and perquisites to which he is entitled hereunder for a period of 2 years following the date of such termination of employment, except that (i) the benefits and perquisites referred to in clause (y) shall be sooner reduced and/or terminated (other than as provided by law) when and to the extent that the Executive is entitled to receive the same from another employer during such period (but no obligation of Executive to attempt to mitigate damages under this subparagraph (c) shall be implied) and (ii) any bonus compensation to be paid to Executive in respect of such period shall be limited solely to the

prorata portion thereof earned in the fiscal year of Employer (determined in the manner provided in Paragraph 3) in which such termination occurs, except for and in respect of completed fiscal years for which Executive has not then been paid. In addition should Executive's employment be terminated by Employer pursuant to subparagraph (a)(i) above, Executive's stock option grant dated June 26, 2000, will immediately fully vest to the extent not already vested.

(d) If there is a Change in Control (as defined in Section 7(f) hereof) and Executive's employment is thereupon terminated or terminated within twenty four (24) months after the effective date thereof, Executive shall be entitled to the termination benefits set forth in Section 7(e) hereof. For purposes of this Employment Agreement, Executive's employment shall be deemed to have been terminated only if Employer terminates such employment other than for cause (as defined in Section 7(a)(iii) hereof) or if a Constructive Termination occurs. "Constructive Termination" shall mean a resignation by Executive because of any material adverse change or material diminution in Executive's then current reporting relationships, job description, duties, responsibilities, compensation, perquisites, office or location of employment (as reasonably determined by Executive in his good faith discretion).

(e) The benefits payable to Executive pursuant to Section 7(d) hereof are as follows:

- (i) Consolidated shall pay to Executive a lump sum cash payment, net of any applicable withholding taxes in an amount equal to two times the annual salary paid or payable to Executive immediately prior to the effective date of such Change in Control (the "Lump Sum Payment"); provided, that if there are fewer than twenty four (24) months remaining from the date of Executive's termination to Executive's normal retirement date at age 65, Consolidated shall instead pay Executive the amount obtained by multiplying the

Lump Sum Payment by a fraction, the numerator of which is the number of months so remaining and the denominator of which is 24. The applicable amount shall be paid on the later of (x) the next business day after the day Executive's employment is terminated, or (y) the next business day after the effective date of such Change in Control.

- (ii) In addition to the payment described in Subsection 7(e)(i) above, Consolidated shall pay to Executive a lump sum cash payment, net of any applicable withholding taxes, in an amount equal to two times the Executive's then current annual Stretch Bonus, as defined in the Bonus Program described in Subsection 3(b)(i) above (the "Lump Sum Bonus Payment"); provided, that (A) in the event the Executive's then current Stretch Bonus is undefined or is not subject to a maximum payout, the Executive's annual Stretch Bonus shall be deemed to be 200% of the Executive's then current base salary and (B) if there are fewer than twenty four (24) months remaining from the date of Executive's termination to Executive's normal retirement date at age 65, Consolidated shall instead pay Executive the amount obtained by multiplying the Lump Sum Bonus Payment by a fraction, the numerator of which is the number of months so remaining and the denominator of which is 24. Executive shall receive the Lump Sum Bonus Payment at the same time Executive receives the Lump Sum Payment described in Subsection 7(e)(i) above.

- (iii) For a period of two years, Executive (and his family, if their participation is permitted under the terms of the subject plan) shall be entitled to participate in any group life, hospitalization, or disability insurance plan, health program, or other executive benefit plan (other than bonus compensation or performance plans to the extent that such plans, in the case of Executive, are in lieu of the bonus plan set forth in Subsection 7(e)(ii) above) that is generally available to similarly titled executive officers of Consolidated; provided, that Executive's participation in the plans referred to in this Subsection 7(e)(iii) shall be terminated (other than as provided by law) when and to the extent that Executive is entitled to receive the same from another employer during such period. Executive's participation in and benefits under any such plan shall be on the terms and subject to the conditions specified in the governing document of the particular plan, including, but not limited to, reimbursement of 100% of all medical and dental expenses incurred during the period of participation in the plans referred to above.
- (iv) If all or any portion of the amount payable to Executive under this Employment Agreement, either alone or together with other amounts that Executive is entitled to receive in connection with a Change in Control, constitutes "excess parachute payments," within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or successor provision, that are subject to the excise tax imposed by Section 4999 of the Code (or

any similar tax or assessment), the amounts payable hereunder shall be increased to the extent necessary to place Executive in the same after-tax position as Executive would have been in had no such excise tax or assessment been imposed on any such payment paid or payable to Executive under this Employment Agreement or any other payment that Executive may receive as a result of such Change in Control. The determination of the amount of any such tax or assessment and the resulting amount of incremental payment required hereby in connection therewith shall be made by the independent accounting firm employed by Consolidated immediately prior to the applicable Change in Control, within thirty (30) calendar days after the payment of the amount payable pursuant to Subsections (e)(i), (e)(ii) and (e)(iii) hereof, and said incremental payment shall be made within five (5) business days after said determination has been made.

- (v) If, after the date upon which any payment required under this Employment Agreement has been made, it is determined (pursuant to final judgment of a court of competent jurisdiction, or an agreed upon tax assessment) that the amount of excise or other similar taxes or assessments payable by Executive is greater than the amount initially so determined, then Consolidated shall pay Executive an amount equal to the sum of (i) such additional excise or other similar taxes, plus (ii) any interest, fines and penalties resulting from such underpayment, plus (iii) an amount necessary to reimburse Executive for any income, excise or other tax or

assessment payable by Executive with respect to the amounts specified in (i) and (ii) above, and the reimbursement provided by this clause (iii). Payment thereof shall be made within five (5) business days after the date upon which such subsequent determination is made.

- (vi) In addition to the benefits described above, Executive shall be entitled to all rights derived under the Consolidated Stores Corporation Executive Stock Option and Stock Appreciation Rights Plan in the event of a Change in Effective Control (as defined in that plan) and all rights derived under the Consolidated Stores Corporation 1996 Performance Incentive Plan in the event of a Change in Control (as defined in that plan).

(f) As used herein, "Change in Control" means any of the following events: (i) any person or group (as defined for purposes of Section 13(d) of the Securities Exchange Act of 1934) becomes the beneficial owner of, or has the right to acquire (by contract, option, warrant, conversion of convertible securities or otherwise), 20% or more of the outstanding equity securities of CSC entitled to vote for the election of directors; (ii) a majority of the Board of Directors of CSC is replaced within any period of two years or less by directors not nominated and approved by a majority of the directors of CSC in office at the beginning of such period (or their successors so nominated and approved), or a majority of the Board of Directors of CSC at any date consists of persons not so nominated and approved; (iii) the stockholders of CSC approve an agreement to reorganize, merge or consolidate with another corporation (other than Consolidated or an affiliate); or (iv) the stockholders of CSC adopt a plan or approve an agreement to sell or otherwise dispose of all or substantially all of CSC's assets (including without limitation, a plan of liquidation or dissolution), in a single transaction or series of related

transactions. The effective date of any such Change in Control shall be the date upon which the last event occurs or last action taken such that the definition of such Change in Control (as set forth above) has been met. For purposes of this Employment Agreement, the term "affiliate" shall mean: (i) any person or entity qualified as part of an affiliated group which includes Consolidated and CSC pursuant to Section 1504 of the Code; or (ii) any person or entity qualified as part of a parent-subsidary group of trades and businesses under common control within the meaning of Treasury Regulation Section 1.414(c) (2) (b). Determination of affiliate shall be tested as of the date immediately prior to any event constituting a Change in Control. The other provisions of this Paragraph 7(f) notwithstanding, the term "Change in Control" shall not mean any transaction, merger, consolidation, or reorganization in which CSC exchanges or offers to exchange newly issued or treasury shares in an amount less than 50% of the then outstanding equity securities of CSC entitled to vote for the election of directors, for 51% or more of the outstanding equity securities entitled to vote for the election of at least the majority of the directors of a corporation other than Employer or an affiliate thereof (the "Acquired Corporation"), or for all or substantially all of the assets of the Acquired Corporation.

(g) Executive shall provide Consolidated with at least forty five (45) days notice of any election by Executive to terminate his employment, which shall set forth in detail the grounds upon which any Constructive Termination of Executive's employment is based, and shall not be entitled to the benefits available hereunder in connection therewith unless such notice is timely given.

(h) If Executive hires legal counsel with respect to any alleged failure by Consolidated or CSC to comply with any of the terms of this Employment Agreement, or institutes any negotiation or institutes or responds to any legal action to assert or defend the validity of or to enforce Executive's rights under, or to recover damages for breach of, this Employment Agreement, Consolidated shall pay Executive's actual expenses for attorneys' fees

and disbursements, together with such additional payments, if any, as may be necessary so that the net after-tax payments so made to Executive equal such fees and disbursements; provided, that Executive shall be responsible for his own fees and expenses with respect to any lawsuit between Executive and Employer to enforce rights or obligations under this Employment Agreement in which Employer is the prevailing party. The fees and expenses incurred by Executive in instituting or responding to any such negotiation or legal action shall be paid by Consolidated as they are incurred, in advance of the final disposition of the action or proceeding, upon receipt of an undertaking by Executive to repay such amounts if Employer is ultimately determined to be the prevailing party.

(i) If any amount due Executive hereunder is not paid when due, then Consolidated shall pay interest on said amount at an annual rate equal to the base lending rate of National City Bank, Cleveland, Ohio, or successor, as in effect from time to time, for the period between the date on which such payment is due and the date said amount is paid.

(j) Consolidated's obligation to pay Executive the compensation and to make the arrangements required hereunder shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, any setoff, counterclaim, recoupment, defense or other right that Consolidated may have against Executive or otherwise. All amounts payable by Consolidated hereunder shall be paid without notice or demand. Subject to the proviso in Section 7(h) above, each and every payment made hereunder by Consolidated shall be final and Consolidated shall not seek to recover all or any part of such payment from Executive or from whosoever may be entitled thereto, for any reason whatsoever. Executive shall not be obligated to seek other employment or compensation or insurance in mitigation of any amount payable or arrangement made under any provision of this Employment Agreement.

(k) From and after any termination of Executive's employment, Executive shall retain in confidence and not use for his own benefit or on behalf of any other person or

entity any confidential information known to him concerning CSC, Consolidated, their respective subsidiaries or their respective businesses so long as such information is not publicly disclosed by someone other than Executive.

(l) In partial consideration of the benefits granted to Executive herein, Executive agrees that during the six-month period immediately following Executive's termination, if Executive shall have received benefits under Section 7(e) above, Executive shall not engage in any Competitive Activity, as defined in Section 7(a).

(m) Any provision in this Employment Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provision hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(n) Except as specifically set forth herein, this Employment Agreement shall not be deemed to negate, supersede or alter any other agreement or arrangement between Executive and Consolidated or CSC or any other rights to which Executive may be entitled, and shall be and remain in effect in addition to any such other agreement or rights, whether now existing or later created.

8. EXPENSES. Employer shall reimburse Executive during the term of this Employment Agreement for travel, entertainment and other expenses reasonably incurred by Executive in the promotion of Employer's business. Executive shall furnish such documentation with respect to reimbursement to be paid under this Paragraph 8 as Employer shall reasonably request.

9. COVENANTS OF EXECUTIVE.

(a) COVENANT AGAINST COMPETITION. Executive acknowledges that at the date hereof (i) the principal businesses of Employer include the operation of its "Odd Lots", "Big

Lots", "MacFrugal's" and "Pic N' Save" discount general merchandise consumer goods retail outlets, the inventories of which are acquired primarily through special purchase situations such as overstocks, closeouts, liquidations, bankruptcies, wholesale distribution of overstock, distress, liquidation and other volume inventories, the operation of its K-B Toy, K-B Toys Works, and K-B Toy Liquidator toy stores, the operation of its Big Lots Furniture and Odd Lots Furniture stores (the "Company Business"); (ii) Employer is one of the limited number of persons who has developed such business; (iii) the Company Business is national in scope; (iv) Executive's work for Employer will give him access to the confidential affairs of Employer; and (v) the agreements and covenants of Executive contained in this Paragraph 9 are essential to the business and goodwill of Employer. Accordingly, Executive covenants and agrees that:

- (A) During the term of Executive's employment with Employer and for a period of two (2) years (the "Restricted Period") following either the voluntary termination of such employment by Executive or the termination of such employment for "cause" (as such terms is defined in Subsection 7(a)(iii) above, Executive shall not in any location where Employer's retail stores are located throughout the United States of America, directly or indirectly, (1) engage in the Company Business for Executive's own account (other than pursuant to this Employment Agreement), (2) render any services to any person engaged in such activities (other than Employer), or (3) or engage in any Competitive Activity (as defined above), PROVIDED, HOWEVER, that in the event of a Change in

Control the Restricted Period shall be for a period of six (6) months.

- (B) During the Restricted Period, Executive shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, all confidential matters relating to the Company Business hereafter learned by Executive, and shall not disclose them to anyone except with Employer's express written consent and except for information which (i) is at the time of receipt or thereafter becomes publicly known through no wrongful act of Executive, or (ii) is received from a third party not under an obligation to keep such information confidential and without breach of this Employment Agreement.
- (C) So long as there has not occurred a Change in Control, Executive shall not, during the Restricted Period, without Employer's prior written consent, directly or indirectly, solicit or encourage to leave the employment of Employer or any of its subsidiaries, any executive of Employer or any of its subsidiaries.
- (D) All memoranda, notes, lists, records and other documents (and all copies thereof) made or compiled by Executive or made available to Executive concerning the Company Business shall be Employer's property and shall be delivered to Employer at any time on request.

(b) RIGHTS AND REMEDIES UPON BREACH. If Executive breaches any of the provisions of Paragraph 9(a) (the "Restrictive Covenants"), or a breach thereof is imminent, Employer shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to Employer under law or in equity:

- (i) The right and remedy to have the Restrictive Covenants specifically enforced by any court having equity jurisdiction, including, without limitation, the right to an entry against Executive of restraining orders and injunctions (preliminary, temporary or permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to Employer and that money damage will not provide adequate remedy to Employer; and
- (ii) The right and remedy to require Executive to account for and pay over to Employer all compensation, profits, monies, accruals, increments, or other benefits derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants. Employer may set off any amounts finally determined to be due it under this Paragraph 9(b) against any amounts owed to Executive.

(c) SEVERABILITY OF COVENANTS. Executive acknowledges and agrees that the Restrictive Covenants are reasonable in geographical and temporal scope, with respect to the activities restricted and in all other respects. If it is determined that any of the Restrictive

Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portions.

(d) BLUE-PENCILLING. If it is determined that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

10. WITHHOLDING TAXES. Except as otherwise provided, all payments to Executive, including the bonus compensation under this Employment Agreement, shall be subject to withholding on account of federal, state, and local taxes as required by law. Any amounts remitted by Employer to the appropriate taxing authorities a taxes withheld by Employer from Executive on income realized by Executive shall reduce the amounts payable by Employer to Executive hereunder. If any particular payment required hereunder is insufficient to provide the amount of such taxes required to be withheld, Employer may withhold such taxes from any other payment due Executive.

11. NO CONFLICTING AGREEMENTS. Executive represents and warrants that he is not a party to any agreement, contract or understanding, whether employment or otherwise, which would restrict or would prohibit him from undertaking or performing employment in accordance with the terms and conditions of this Employment Agreement.

12. SEVERABLE PROVISIONS. The provisions of this Employment Agreement are severable, and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions and any partially unenforceable provision to the extent enforceable in any jurisdiction shall, nevertheless, be binding and enforceable.

13. BINDING AGREEMENT. Each of CSC and Consolidated shall require any successor (whether direct or indirect), by purchase, merger, consolidation, reorganization or otherwise, to all or substantially all of the business and/or assets of any of them expressly to assume and to agree to perform this Employment Agreement in the same manner and to the same extent that each of them would be required to perform if no such succession has taken place. This Employment Agreement shall be binding upon and inure to the benefit of each of CSC and Consolidated and any successor of any of them, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of any of them whether by sale, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Employer" for purposes of this Employment Agreement), but shall not otherwise be assignable or delegatable by CSC or Consolidated.

This Employment Agreement shall inure to the benefit of and be enforceable by Executive and each of Executive's personal or legal representatives, executive, administrators, successor, heirs, distributees and/or legatees.

14. NOTICES. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed five (5) days after the date of deposit in the United States mails as follows:

(i)	if to the Employer to:	Consolidated Stores Corporation 300 Phillipi Road Columbus, Ohio 43228-1310 Attention: Charles Haubiel, Esq. Vice President and General Counsel
	with a copy to:	Chairman of the Compensation Committee of the CSC Board of Directors

(ii) if to the Executive to: Michael J. Potter
1127 Poppy Hills Drive
Blacklick, OH 43230

Any such person may by notice given in accordance with this Paragraph to the other parties hereto, designate another address or person for receipt by such person of notices hereunder.

15. WAIVER. The failure of either party to enforce any provision or provisions of this Employment Agreement shall not in any way be construed as a waiver of any such provision or provisions as to any future violations thereof, nor prevent that party thereafter from enforcing each and every other provision of this Employment Agreement. The rights granted the parties herein are cumulative and the waiver of any single remedy shall not constitute a waiver of such party's rights to assert all other legal remedies available to it under the circumstances.

16. MISCELLANEOUS. This Employment Agreement supersedes all prior agreements and understandings between the parties and may not be modified or terminated orally. No modification, termination or attempted waiver shall be valid unless in writing and signed by the party against whom the same is sought to be enforced. If Executive is successful in any proceeding against Employer to collect amounts due Executive under this Employment Agreement, Employer shall reimburse Executive for his court costs and reasonable attorneys' fees in connection therewith.

17. GOVERNING LAW. This Employment Agreement shall be governed by and constructed according to the laws of the State of Ohio.

18. CAPTIONS AND PARAGRAPHS HEADINGS. Captions and paragraph headings used herein are for convenience and are not a part of this Employment Agreement and shall not be used in construing it.

19. INTERPRETATION. Where necessary or appropriate to the meaning hereof, the singular and plural shall be deemed to include each other, and the masculine, feminine and neuter shall be deemed to include each other.

20. AMENDMENTS. Neither CSC nor Consolidated shall amend, terminate, or suspend this Employment Agreement or any provision hereof without the written consent of Executive.

21. LEGAL FEES AND EXPENSES. It is the intent of Employer that Executive not be required to incur the expenses associated with the enforcement of his rights under this Employment Agreement in the event of a Change in Control by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to Executive hereunder. Accordingly, if it should appear to Executive that Employer has failed to comply with any of its obligations under this Employment Agreement, or in the event that Employer or any other person takes any action to declare this Employment Agreement void and/or unenforceable, or institutes any litigation designed to deny, and/or to recover from, Executive the benefits intended to be provided to Executive hereunder, Employer hereby irrevocably authorizes Executive from time to time to retain counsel of his choice at the expense of Employer to represent Executive in connection with the initiation or defense of any litigation and/or other legal action, whether by or against Employer or any director, officer, stockholder, or other person affiliated with Employer in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between Employer and such counsel, into an attorney-client relationship with such counsel, and in that connection Employer acknowledges that a confidential relationship shall exist between Executive and such counsel. Employer shall pay and be solely responsible for any and all attorneys' and related fees and expenses incurred by Executive as a result of Employer or any person contesting the validity and/or enforceability of this Employment Agreement or any provision hereof.

IN WITNESS WHEREOF, the parties have caused this Employment Agreement to be effective as of the 26th day of June, 2000.

Attest: CONSOLIDATED STORES CORPORATION,
a Delaware Corporation

/s/ Charles W. Haubiel II ----- Secretary	By: /s/ David T. Kollat ----- David T. Kollat Chairman of the Compensation Committee of the Board of Directors
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Attest: CONSOLIDATED STORES CORPORATION,
an Ohio Corporation

/s/ Charles W. Haubiel II ----- Secretary	By: /s/ David T. Kollat ----- David T. Kollat Chairman of the Compensation Committee of the Board of Directors
---	--

/s/ MICHAEL J. POTTER

Michael J. Potter

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of the 26th day of June, 2000, by and among CONSOLIDATED STORES CORPORATION, a Delaware corporation ("CSC"), CONSOLIDATED STORES CORPORATION, an Ohio corporation ("Consolidated") (CSC and Consolidated are hereinafter jointly referred to as "Employer"), and Albert J. Bell, an individual residing in Ohio ("Executive").

W I T N E S S E T H:

WHEREAS, Employer and Executive desire to enter into this Employment Agreement to insure to Employer and Employer's direct and indirect subsidiaries the services of Executive and to set forth the rights and duties of the parties thereto; and

WHEREAS, Executive is a director of each of CSC and Consolidated; and

WHEREAS, the Board of Directors of CSC and Consolidated have elected Executive as the Vice Chairman of the Board of Directors and Chief Administrative Officer of each of CSC and Consolidated.

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

1. EMPLOYMENT; DUTIES.

(a) EMPLOYMENT. Employer employs Executive as the Vice Chairman of the Board of Directors and Chief Administrative Officer of each of CSC and Consolidated, with such duties as may from time to time be prescribed by the Chief Executive Officer of Employer and Executive hereby accepts such employment, on the terms and conditions hereinafter set forth.

(b) DUTIES. During the term of this Employment Agreement, Executive shall devote his entire business time and attention to his employment and perform diligently such duties as are customarily performed by the Vice Chairman of the Board of Directors and Chief

Administrative Officer of a company the size and structure of CSC and its subsidiaries, together with, as of the date hereof, such other duties as may be reasonably requested from time to time by the Chief Executive Officer of CSC or Consolidated, which duties shall be consistent with his position as set forth above and in Paragraph 2 of this Employment Agreement. Executive shall cooperate and work with all committees formed by the Board of Directors of CSC or Consolidated. So long as Executive shall serve as Vice Chairman of the Board of Directors and Chief Administrative Officer, Executive shall report only to the Chief Executive Officer of each of CSC and Consolidated and shall not be subject to the authority, direction or discretion of any officer, whether in a position now existing or hereafter created or appointed.

Any material adverse modification or diminution of Executive's duties or diminution in Executive's authority, title or office shall be considered to be a Change in Control of Employer and shall entitle Executive, in addition to any other rights he may have, to the rights and remedies provided in Paragraph 7(d) hereof; PROVIDED, HOWEVER, that Executive shall notify Employer of any alleged such modification or diminution, specifying the same, and Employer shall have a period of fifteen (15) days after such notice to cure such alleged modification or diminution before Executive shall be entitled to exercise any such rights and remedies. The right of Employer to cure any modification or diminution in Executive's authority, title or office set forth in the immediately preceding sentence shall be applicable only in the event that a "Change in Control" shall have occurred solely by reason of such modification or diminution of duties or authority and shall not be applicable following the occurrence of any change in Control as defined in Paragraph 7(f) below.

(c) FULL TIME AND ATTENTION. Except as expressly permitted herein, Executive shall not, without the prior written consent of Employer, directly or indirectly during the term of this Employment Agreement, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise. So long as it does not interfere

with his full time employment hereunder, Executive may (i) attend to outside investments and serve as a director, trustee or officer of or otherwise participate in educational, welfare, social, religious and civic organizations and (ii) serve as a director of not more than two (2) public corporations that are not engaged in the Company Business (as defined in Paragraph 9(a) hereof).

(d) BUSINESS DECISIONS. Executive shall have no liability to Employer for any act or omission undertaken during the term of this Employment Agreement in his good faith business judgment in furtherance of his duties as prescribed in or under this Employment Agreement.

2. TERM AND POSITIONS.

(a) TERM. Subject to the provisions for termination as hereinafter provided, the term of this Employment Agreement shall begin on June 26, 2000 and shall continue thereafter until Executive's employment is terminated as provided in Paragraph 7. This Employment Agreement supercedes and replaces the May 19, 1998 Senior Executive Severance Agreement between Employer and Executive.

(b) POSITIONS. Executive shall, without any compensation in addition to that which is specifically provided in this Employment Agreement, serve as an officer of CSC and of Consolidated and in such substitute or further offices or positions with Employer or any subsidiary of Employer as shall from time to time be reasonably requested by the Chief Executive Officer. Each office and position with Employer or any subsidiary of Employer in which Executive may serve or to which he may be appointed shall be consistent in title and duties with Executive's position as Vice Chairman and Chief Administrative Officer of Employer. For service as a director or officer of CSC, Consolidated or any subsidiary of either of them, which service shall in each instance be deemed to be at the request of CSC and its Board of Directors, Executive shall be entitled to the protection of the applicable indemnification provisions of the charter and by-laws of CSC, Consolidated and any such subsidiary and

Employer agrees to indemnify and hold harmless Executive from and against any claims, liabilities, damages or expenses incurred by Executive in or arising out of the status, capacities and activities as an officer or director of CSC, Consolidated and any subsidiary of either to the maximum extent permitted by law. For purposes of this Employment Agreement, all references herein to subsidiaries of CSC and/or Consolidated shall be deemed to include references to subsidiaries now or hereafter existing.

3. COMPENSATION.

(a) SALARY. For all services he may render to CSC and Consolidated (and any subsidiary of either of them) during the term of this Employment Agreement, as determined by the Compensation Committee of the CSC Board of Directors, Employer shall pay to Executive, commencing on June 26, 2000, a minimum salary at the rate (the "Salary Rate") of Six Hundred Twenty-five Thousand Dollars (\$625,000.00) per annum, payable in those installments customarily used in payment of salaries to Employer's executives (but in no event less frequently than monthly). At least annually, the Compensation Committee of the CSC Board of Directors shall review Executive's performance and determine whether an increase in the Executive's Salary Rate is merited.

(b) BONUS. In addition to the salary compensation as above stated, Employer shall pay to Executive bonus compensation during the term of this Employment Agreement in amounts to be determined and paid as follows:

- (i) Beginning January 30, 2000 for each fiscal year of Employer completed during the term of this Employment Agreement, an amount equal to the Salary Rate at the end of such fiscal year multiplied by the Bonus Payout percentage as determined by the Bonus Program set each fiscal year by the Compensation Committee of the CSC Board of Directors. The Bonus Program is

based upon the achievement of Employer's annual financial plan. The Target Bonus for Executive is 100% of base salary and the Stretch Bonus for Executive is 200% of base salary, both of which are defined in the Bonus Program and are subject to adjustment by the Board of Directors of CSC ; provided however, Executive's Target Bonus shall never fall below 100% of base salary and Executive's Stretch Bonus shall never fall below 200% of base salary.

- (ii) Any bonus paid for a fiscal year under Paragraph 3(b)(i) shall be paid within forty-five (45) days after Employer's independent auditor has delivered its opinion with respect to the financial statements of Employer for such fiscal year (whether or not Executive is then in the employ of Employer). Employer shall use all reasonable efforts to cause such auditor to deliver such opinion within forty-five (45) days after the close of such fiscal year.
- (iii) For purposes of this Employment Agreement, the term "fiscal year" shall mean with respect to any year, the period commencing on the Sunday next following the Saturday closest to January 31 in a calendar year and ending in the next following calendar year on the Saturday closest to January 31.

4. DISABILITY IN THE EVENT OF DEATH OR PERMANENT DISABILITY. In the event of a termination of employment as a consequence of Employee's death or "permanent disability" (as defined below) during the term of this Employment Agreement:

- (a) Executive or his estate, as the case may be, shall be entitled to receive a prorata portion of the bonus applicable to the fiscal year in which such death or permanent

disability occurs, as such bonus is determined under Paragraph 3(b) of this Employment Agreement. Such prorata portion shall be determined by multiplying a fraction, the numerator of which shall be the number of days in the applicable fiscal year elapsed prior to the date of death or permanent disability, as the case may be, and the denominator of which shall be 365, by the amount of bonus that would have been payable, if any, pursuant to such Paragraph 3(b), if Executive had remained employed under this Employment Agreement for the entire applicable fiscal year. The bonus shall be paid when and as provided in Paragraph 3(b)(ii) of this Employment Agreement.

(b) Upon permanent disability Executive shall be entitled to six (6) months of short term disability at his then current Salary Rate. At the end of the six month period Executive shall be entitled to long term disability at a minimum rate of twenty five thousand dollars (\$25,000.00) per month, tax free, until age sixty-five (65).

(c) Except as otherwise provided in Paragraphs 5, 6 and 8 of this Employment Agreement, Executive shall be entitled to no further compensation or other benefits under this Employment Agreement, except as to that portion of any unpaid salary and other benefits accrued and earned by him hereunder up to and including the date of such death or permanent disability, as the case may be.

(d) For the purposes of this Employment Agreement, except as modified in paragraph 4(b) above, Executive's "permanent disability" occurrence and benefits shall be determined in the same manner as are other such occurrences and benefits under Employer's Disability Policy in effect at the date of the occurrence.

5. TRANSPORTATION. During the term of this Employment Agreement, Employer shall provide Executive with a current luxury model automobile purchased or leased by Employer, in accordance with applicable policies of Employer. Employer shall pay all maintenance and repair expenses with respect to the automobile, procure and maintain in force at

Employer's expense collision, comprehensive, and liability insurance coverage with respect to the automobile, and pay operating expenses with respect to the automobile to the extent such operating expenses are incurred in the conduct of Employer's business. Commencing June 26, 2000, Executive shall be entitled to a similar vehicle every three years or 36,000 miles, whichever occurs first.

6. LIFE INSURANCE AND OTHER BENEFITS.

(a) VACATION AND SICK LEAVE. Executive shall be entitled to such periods of vacation and sick leave allowance each year which shall not be less than as provided under Employer's Vacation and Sick Leave Policy for executive officers.

(b) GROUP PLANS, ETC. Executive shall be entitled to participate in any group life, hospitalization, or disability insurance plan, health program, or other executive benefit plan (other than bonus compensation or performance plans to the extent that such plans, in the case of Executive, are in lieu of the bonus plan set forth in Paragraph 3(b) above) that is generally available to senior executive officers, as distinguished from general management, of Employer. Executive's participation in and benefits under any such plan shall be on the terms and subject to the conditions specified in the governing document of the particular plan. Up to the applicable maximum, Executive shall be entitled to 100% reimbursement of his medical and dental expenses incurred during the term of this Employment Agreement.

7. TERMINATION AND FURTHER COMPENSATION.

(a) The employment of Executive under this Employment Agreement and the term hereof may be terminated:

- (i) by Employer or Executive at any time upon thirty (30) days notice to the other party of such termination, or
- (ii) by Employer on death or permanent disability of Executive, or

- (iii) By Employer for cause at any time. For purposes hereof, the term "cause" shall mean:
 - (A) Executive's conviction of fraud or a felony or any crime involving moral turpitude or Executive's commission of acts of embezzlement or theft in connection with his duties or in the course of his employment with Employer or any subsidiary;
 - (B) Executive's willful breach of any material provision of this Employment Agreement which failure has not been cured in all substantial respects within ten (10) days after Employer gives notice thereof to Executive; or
 - (C) Executive's willful, wrongful engagement in any Competitive Activity (as that term is hereinafter defined).

Any termination of Executive for "cause" shall not be effective until all the following shall have taken place:

- (i) The Secretary of CSC pursuant to resolution of the Board of Directors of CSC, shall have given written notice to Executive that, in the opinion of the Board of Directors, Executive may be terminated for cause, specifying the details;
- (ii) Executive shall have been given a reasonable opportunity to appear before the Board of Directors prior to the determination of the Board evidenced by such resolution;
- (iii) With respect to any matters other than Executive's conviction of fraud or a felony or a crime involving moral turpitude, Executive shall neither have ceased to engage in the activity giving rise to the

proposed determination for cause within thirty (30) days after his receipt of such notice nor diligently taken all reasonable steps to that end during such thirty (30) day period and thereafter;

- (iv) After complying with the procedures set forth in subparagraphs (i) through (iii) above, Executive shall have been delivered a certified copy of a resolution of the Board of Directors of CSC adopted by the affirmative vote of not less than three-fourths (3/4) of the entire membership of the Board of Directors finding that Executive was guilty of the conduct giving rise to the termination for cause.

Any termination by reason of the foregoing shall not be in limitation of any other right or remedy Employer may have under this Employment Agreement, at law, in equity or otherwise. On any termination of this Employment Agreement, Executive shall be deemed to have resigned from all offices and directorships held by Executive in Employer and any subsidiaries of CSC.

The term "Competitive Activity" shall mean Executive's participation, without the written consent of the Board of Directors of CSC, in the management of any business operation of any enterprise if such operation (a "Competitive Operation") engages in substantial and direct competition with Employer or any subsidiary. For purposes of this Employment Agreement, a business enterprise shall be considered in substantial and direct competition with Employer or any subsidiary, if such business operation's sales, related to any activity then engaged in by Employer, amount to ten percent (10%) or more of such business operation's total sales. At the date hereof, Employer is engaged in the sale of closeout merchandise, toy merchandise and furniture. "Competitive Activity" shall not include (i) the mere ownership of securities in any publicly traded enterprise and the exercise of rights appurtenant thereto or (ii) participation in

management of any publicly traded enterprise or business operation thereof other than in connection with the Competitive Operation of such enterprise.

(b) In the event of termination for any of the reasons set forth in subparagraph (a)(iii) of this Paragraph 7, except as otherwise provided in Paragraph 8 of this Employment Agreement, Executive shall be entitled to no further compensation or other benefits under this Employment Agreement (other than as provided by law), except as to that portion of any unpaid salary and other benefits accrued and earned by him hereunder up to and including the effective date of such termination, and Executive shall not be entitled to receive any bonus determined under Paragraph 3 of this Employment Agreement or otherwise, except for and in respect of completed fiscal years for which Executive has not then been paid.

(c) In the event of the termination of Executive's employment by Employer pursuant to subparagraph (a)(i) above, Executive shall be entitled to severance compensation as follows: (x) the continuation of his compensation for a period of 2 years, including bonus compensation (as provided below), and (y) all other benefits and perquisites to which he is entitled hereunder for a period of 2 years following the date of such termination of employment, except that (i) the benefits and perquisites referred to in clause (y) shall be sooner reduced and/or terminated (other than as provided by law) when and to the extent that the Executive is entitled to receive the same from another employer during such period (but no obligation of Executive to attempt to mitigate damages under this subparagraph (c) shall be implied) and (ii) any bonus compensation to be paid to Executive in respect of such period shall be limited solely to the prorata portion thereof earned in the fiscal year of Employer (determined in the manner provided in Paragraph 3) in which such termination occurs, except for and in respect of completed fiscal years for which Executive has not then been paid. In addition should Executive's employment be terminated by Employer pursuant to subparagraph (a)(i) above, Executive's stock option grant dated June 26, 2000, will immediately fully vest to the extent not already vested.

(d) If there is a Change in Control (as defined in Section 7(f) hereof) and Executive's employment is thereupon terminated or terminated within twenty four (24) months after the effective date thereof, Executive shall be entitled to the termination benefits set forth in Section 7(e) hereof. For purposes of this Employment Agreement, Executive's employment shall be deemed to have been terminated only if Employer terminates such employment other than for cause (as defined in Section 7(a)(iii) hereof) or if a Constructive Termination occurs. "Constructive Termination" shall mean a resignation by Executive because of any material adverse change or material diminution in Executive's then current reporting relationships, job description, duties, responsibilities, compensation, perquisites, office or location of employment (as reasonably determined by Executive in his good faith discretion).

(e) The benefits payable to Executive pursuant to Section 7(d) hereof are as follows:

- (i) Consolidated shall pay to Executive a lump sum cash payment, net of any applicable withholding taxes in an amount equal to two times the annual salary paid or payable to Executive immediately prior to the effective date of such Change in Control (the "Lump Sum Payment"); provided, that if there are fewer than twenty four (24) months remaining from the date of Executive's termination to Executive's normal retirement date at age 65, Consolidated shall instead pay Executive the amount obtained by multiplying the Lump Sum Payment by a fraction, the numerator of which is the number of months so remaining and the denominator of which is 24. The applicable amount shall be paid on the later of (x) the next business day after the day Executive's employment is terminated,

or (y) the next business day after the effective date of such Change in Control.

- (ii) In addition to the payment described in Subsection 7(e)(i) above, Consolidated shall pay to Executive a lump sum cash payment, net of any applicable withholding taxes, in an amount equal to two times the Executive's then current annual Stretch Bonus, as defined in the Bonus Program described in Subsection 3(b)(i) above (the "Lump Sum Bonus Payment"); provided, that (A) in the event the Executive's then current Stretch Bonus is undefined or is not subject to a maximum payout, the Executive's annual Stretch Bonus shall be deemed to be 200% of the Executive's then current base salary and (B) if there are fewer than twenty four (24) months remaining from the date of Executive's termination to Executive's normal retirement date at age 65, Consolidated shall instead pay Executive the amount obtained by multiplying the Lump Sum Bonus Payment by a fraction, the numerator of which is the number of months so remaining and the denominator of which is 24. Executive shall receive the Lump Sum Bonus Payment at the same time Executive receives the Lump Sum Payment described in Subsection 7(e)(i) above.
- (iii) For a period of two years, Executive (and his family, if their participation is permitted under the terms of the subject plan) shall be entitled to participate in any group life, hospitalization, or disability insurance plan, health program, or other executive benefit plan (other than bonus compensation or performance plans

to the extent that such plans, in the case of Executive, are in lieu of the bonus plan set forth in Subsection 7(e)(ii) above) that is generally available to similarly titled executive officers of Consolidated; provided, that Executive's participation in the plans referred to in this Subsection 7(e)(iii) shall be terminated (other than as provided by law) when and to the extent that Executive is entitled to receive the same from another employer during such period. Executive's participation in and benefits under any such plan shall be on the terms and subject to the conditions specified in the governing document of the particular plan, including, but not limited to, reimbursement of 100% of all medical and dental expenses incurred during the period of participation in the plans referred to above.

- (iv) If all or any portion of the amount payable to Executive under this Employment Agreement, either alone or together with other amounts that Executive is entitled to receive in connection with a Change in Control, constitutes "excess parachute payments," within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or successor provision, that are subject to the excise tax imposed by Section 4999 of the Code (or any similar tax or assessment), the amounts payable hereunder shall be increased to the extent necessary to place Executive in the same after-tax position as Executive would have been in had no such excise tax or assessment been imposed on any such payment paid or payable to Executive under this Employment Agreement or

any other payment that Executive may receive as a result of such Change in Control. The determination of the amount of any such tax or assessment and the resulting amount of incremental payment required hereby in connection therewith shall be made by the independent accounting firm employed by Consolidated immediately prior to the applicable Change in Control, within thirty (30) calendar days after the payment of the amount payable pursuant to Subsections (e)(i), (e)(ii) and (e)(iii) hereof, and said incremental payment shall be made within five (5) business days after said determination has been made.

- (v) If, after the date upon which any payment required under this Employment Agreement has been made, it is determined (pursuant to final judgment of a court of competent jurisdiction, or an agreed upon tax assessment) that the amount of excise or other similar taxes or assessments payable by Executive is greater than the amount initially so determined, then Consolidated shall pay Executive an amount equal to the sum of (i) such additional excise or other similar taxes, plus (ii) any interest, fines and penalties resulting from such underpayment, plus (iii) an amount necessary to reimburse Executive for any income, excise or other tax or assessment payable by Executive with respect to the amounts specified in (i) and (ii) above, and the reimbursement provided by this clause (iii). Payment thereof shall be made within five (5) business days after the date upon which such subsequent determination is made.

- (vi) In addition to the benefits described above, Executive shall be entitled to all rights derived under the Consolidated Stores Corporation Executive Stock Option and Stock Appreciation Rights Plan in the event of a Change in Effective Control (as defined in that plan) and all rights derived under the Consolidated Stores Corporation 1996 Performance Incentive Plan in the event of a Change in Control (as defined in that plan).

(f) As used herein, "Change in Control" means any of the following events: (i) any person or group (as defined for purposes of Section 13(d) of the Securities Exchange Act of 1934) becomes the beneficial owner of, or has the right to acquire (by contract, option, warrant, conversion of convertible securities or otherwise), 20% or more of the outstanding equity securities of CSC entitled to vote for the election of directors; (ii) a majority of the Board of Directors of CSC is replaced within any period of two years or less by directors not nominated and approved by a majority of the directors of CSC in office at the beginning of such period (or their successors so nominated and approved), or a majority of the Board of Directors of CSC at any date consists of persons not so nominated and approved; (iii) the stockholders of CSC approve an agreement to reorganize, merge or consolidate with another corporation (other than Consolidated or an affiliate); or (iv) the stockholders of CSC adopt a plan or approve an agreement to sell or otherwise dispose of all or substantially all of CSC's assets (including without limitation, a plan of liquidation or dissolution), in a single transaction or series of related transactions. The effective date of any such Change in Control shall be the date upon which the last event occurs or last action taken such that the definition of such Change in Control (as set forth above) has been met. For purposes of this Employment Agreement, the term "affiliate" shall mean: (i) any person or entity qualified as part of an affiliated group which includes Consolidated and CSC pursuant to Section 1504 of the Code; or (ii) any person or entity

qualified as part of a parent-subsidary group of trades and businesses under common control within the meaning of Treasury Regulation Section 1.414(c)(2)(b). Determination of affiliate shall be tested as of the date immediately prior to any event constituting a Change in Control. The other provisions of this Paragraph 7(f) notwithstanding, the term "Change in Control" shall not mean any transaction, merger, consolidation, or reorganization in which CSC exchanges or offers to exchange newly issued or treasury shares in an amount less than 50% of the then outstanding equity securities of CSC entitled to vote for the election of directors, for 51% or more of the outstanding equity securities entitled to vote for the election of at least the majority of the directors of a corporation other than Employer or an affiliate thereof (the "Acquired Corporation"), or for all or substantially all of the assets of the Acquired Corporation.

(g) Executive shall provide Consolidated with at least forty five (45) days notice of any election by Executive to terminate his employment, which shall set forth in detail the grounds upon which any Constructive Termination of Executive's employment is based, and shall not be entitled to the benefits available hereunder in connection therewith unless such notice is timely given.

(h) If Executive hires legal counsel with respect to any alleged failure by Consolidated or CSC to comply with any of the terms of this Employment Agreement, or institutes any negotiation or institutes or responds to any legal action to assert or defend the validity of or to enforce Executive's rights under, or to recover damages for breach of, this Employment Agreement, Consolidated shall pay Executive's actual expenses for attorneys' fees and disbursements, together with such additional payments, if any, as may be necessary so that the net after-tax payments so made to Executive equal such fees and disbursements; provided, that Executive shall be responsible for his own fees and expenses with respect to any lawsuit between Executive and Employer to enforce rights or obligations under this Employment Agreement in which Employer is the prevailing party. The fees and expenses incurred by

Executive in instituting or responding to any such negotiation or legal action shall be paid by Consolidated as they are incurred, in advance of the final disposition of the action or proceeding, upon receipt of an undertaking by Executive to repay such amounts if Employer is ultimately determined to be the prevailing party.

(i) If any amount due Executive hereunder is not paid when due, then Consolidated shall pay interest on said amount at an annual rate equal to the base lending rate of National City Bank, Cleveland, Ohio, or successor, as in effect from time to time, for the period between the date on which such payment is due and the date said amount is paid.

(j) Consolidated's obligation to pay Executive the compensation and to make the arrangements required hereunder shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, any setoff, counterclaim, recoupment, defense or other right that Consolidated may have against Executive or otherwise. All amounts payable by Consolidated hereunder shall be paid without notice or demand. Subject to the proviso in Section 7(h) above, each and every payment made hereunder by Consolidated shall be final and Consolidated shall not seek to recover all or any part of such payment from Executive or from whosoever may be entitled thereto, for any reason whatsoever. Executive shall not be obligated to seek other employment or compensation or insurance in mitigation of any amount payable or arrangement made under any provision of this Employment Agreement.

(k) From and after any termination of Executive's employment, Executive shall retain in confidence and not use for his own benefit or on behalf of any other person or entity any confidential information known to him concerning CSC, Consolidated, their respective subsidiaries or their respective businesses so long as such information is not publicly disclosed by someone other than Executive.

(l) In partial consideration of the benefits granted to Executive herein, Executive agrees that during the six-month period immediately following Executive's

termination, if Executive shall have received benefits under Section 7(e) above, Executive shall not engage in any Competitive Activity, as defined in Section 7(a).

(m) Any provision in this Employment Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provision hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(n) Except as specifically set forth herein, this Employment Agreement shall not be deemed to negate, supersede or alter any other agreement or arrangement between Executive and Consolidated or CSC or any other rights to which Executive may be entitled, and shall be and remain in effect in addition to any such other agreement or rights, whether now existing or later created.

8. EXPENSES. Employer shall reimburse Executive during the term of this Employment Agreement for travel, entertainment and other expenses reasonably incurred by Executive in the promotion of Employer's business. Executive shall furnish such documentation with respect to reimbursement to be paid under this Paragraph 8 as Employer shall reasonably request.

9. COVENANTS OF EXECUTIVE.

(a) COVENANT AGAINST COMPETITION. Executive acknowledges that at the date hereof (i) the principal businesses of Employer include the operation of its "Odd Lots", "Big Lots", "MacFrugal's" and "Pic N' Save" discount general merchandise consumer goods retail outlets, the inventories of which are acquired primarily through special purchase situations such as overstocks, closeouts, liquidations, bankruptcies, wholesale distribution of overstock, distress, liquidation and other volume inventories, the operation of its K-B Toy, K-B Toys Works, and K-B Toy Liquidator toy stores, the operation of its Big Lots Furniture and Odd Lots Furniture

stores (the "Company Business"); (ii) Employer is one of the limited number of persons who has developed such business; (iii) the Company Business is national in scope; (iv) Executive's work for Employer will give him access to the confidential affairs of Employer; and (v) the agreements and covenants of Executive contained in this Paragraph 9 are essential to the business and goodwill of Employer. Accordingly, Executive covenants and agrees that:

- (A) During the term of Executive's employment with Employer and for a period of two (2) years (the "Restricted Period") following either the voluntary termination of such employment by Executive or the termination of such employment for "cause" (as such terms is defined in Subsection 7(a)(iii) above, Executive shall not in any location where Employer's retail stores are located throughout the United States of America, directly or indirectly, (1) engage in the Company Business for Executive's own account (other than pursuant to this Employment Agreement), (2) render any services to any person engaged in such activities (other than Employer), or (3) or engage in any Competitive Activity (as defined above), PROVIDED, HOWEVER, that in the event of a Change in Control the Restricted Period shall be for a period of six (6) months.
- (B) During the Restricted Period, Executive shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, all confidential matters relating to the Company Business hereafter learned by

Executive, and shall not disclose them to anyone except with Employer's express written consent and except for information which (i) is at the time of receipt or thereafter becomes publicly known through no wrongful act of Executive, or (ii) is received from a third party not under an obligation to keep such information confidential and without breach of this Employment Agreement.

- (C) So long as there has not occurred a Change in Control, Executive shall not, during the Restricted Period, without Employer's prior written consent, directly or indirectly, solicit or encourage to leave the employment of Employer or any of its subsidiaries, any executive of Employer or any of its subsidiaries.
- (D) All memoranda, notes, lists, records and other documents (and all copies thereof) made or compiled by Executive or made available to Executive concerning the Company Business shall be Employer's property and shall be delivered to Employer at any time on request.

(b) RIGHTS AND REMEDIES UPON BREACH. If Executive breaches any of the provisions of Paragraph 9(a) (the "Restrictive Covenants"), or a breach thereof is imminent, Employer shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to Employer under law or in equity:

- (i) The right and remedy to have the Restrictive Covenants specifically enforced by any court having equity jurisdiction, including, without limitation, the right to an entry against Executive of restraining orders and injunctions (preliminary, temporary or permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to Employer and that money damage will not provide adequate remedy to Employer; and
- (ii) The right and remedy to require Executive to account for and pay over to Employer all compensation, profits, monies, accruals, increments, or other benefits derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants. Employer may set off any amounts finally determined to be due it under this Paragraph 9(b) against any amounts owed to Executive.

(c) SEVERABILITY OF COVENANTS. Executive acknowledges and agrees that the Restrictive Covenants are reasonable in geographical and temporal scope, with respect to the activities restricted and in all other respects. If it is determined that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portions.

(d) BLUE-PENCILLING. If it is determined that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, the duration or scope of such provision, as the case may be, shall be reduced so that

such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

10. WITHHOLDING TAXES. Except as otherwise provided, all payments to Executive, including the bonus compensation under this Employment Agreement, shall be subject to withholding on account of federal, state, and local taxes as required by law. Any amounts remitted by Employer to the appropriate taxing authorities a taxes withheld by Employer from Executive on income realized by Executive shall reduce the amounts payable by Employer to Executive hereunder. If any particular payment required hereunder is insufficient to provide the amount of such taxes required to be withheld, Employer may withhold such taxes from any other payment due Executive.

11. NO CONFLICTING AGREEMENTS. Executive represents and warrants that he is not a party to any agreement, contract or understanding, whether employment or otherwise, which would restrict or would prohibit him from undertaking or performing employment in accordance with the terms and conditions of this Employment Agreement.

12. SEVERABLE PROVISIONS. The provisions of this Employment Agreement are severable, and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions and any partially unenforceable provision to the extent enforceable in any jurisdiction shall, nevertheless, be binding and enforceable.

13. BINDING AGREEMENT. Each of CSC and Consolidated shall require any successor (whether direct or indirect), by purchase, merger, consolidation, reorganization or otherwise, to all or substantially all of the business and/or assets of any of them expressly to assume and to agree to perform this Employment Agreement in the same manner and to the same extent that each of them would be required to perform if no such succession has taken place. This Employment Agreement shall be binding upon and inure to the benefit of each of CSC and

Consolidated and any successor of any of them, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of any of them whether by sale, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Employer" for purposes of this Employment Agreement), but shall not otherwise be assignable or delegatable by CSC or Consolidated.

This Employment Agreement shall inure to the benefit of and be enforceable by Executive and each of Executive's personal or legal representatives, executive, administrators, successor, heirs, distributees and/or legatees.

14. NOTICES. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed five (5) days after the date of deposit in the United States mails as follows:

- | | | |
|------|-------------------------|---|
| (i) | if to the Employer to: | Consolidated Stores Corporation
300 Phillipi Road
Columbus, Ohio 43228-1310
Attention: Charles Haubiel, Esq.
Vice President and General Counsel |
| | with a copy to: | Chairman of the Compensation Committee
of the CSC Board of Directors |
| (ii) | if to the Executive to: | Albert J. Bell
7007 Temperance Point Street
Westerville, OH 43082 |

Any such person may by notice given in accordance with this Paragraph to the other parties hereto, designate another address or person for receipt by such person of notices hereunder.

15. WAIVER. The failure of either party to enforce any provision or provisions of this Employment Agreement shall not in any way be construed as a waiver of any such provision or provisions as to any future violations thereof, nor prevent that party thereafter from enforcing each and every other provision of this Employment Agreement. The rights granted the parties herein are cumulative and the waiver of any single remedy shall not constitute a waiver of such party's rights to assert all other legal remedies available to it under the circumstances.

16. MISCELLANEOUS. This Employment Agreement supersedes all prior agreements and understandings between the parties and may not be modified or terminated orally. No modification, termination or attempted waiver shall be valid unless in writing and signed by the party against whom the same is sought to be enforced. If Executive is successful in any proceeding against Employer to collect amounts due Executive under this Employment Agreement, Employer shall reimburse Executive for his court costs and reasonable attorneys' fees in connection therewith.

17. GOVERNING LAW. This Employment Agreement shall be governed by and constructed according to the laws of the State of Ohio.

18. CAPTIONS AND PARAGRAPHS HEADINGS. Captions and paragraph headings used herein are for convenience and are not a part of this Employment Agreement and shall not be used in construing it.

19. INTERPRETATION. Where necessary or appropriate to the meaning hereof, the singular and plural shall be deemed to include each other, and the masculine, feminine and neuter shall be deemed to include each other.

20. AMENDMENTS. Neither CSC nor Consolidated shall amend, terminate, or suspend this Employment Agreement or any provision hereof without the written consent of Executive.

21. LEGAL FEES AND EXPENSES. It is the intent of Employer that Executive not be required to incur the expenses associated with the enforcement of his rights under this

Employment Agreement in the event of a Change in Control by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to Executive hereunder. Accordingly, if it should appear to Executive that Employer has failed to comply with any of its obligations under this Employment Agreement, or in the event that Employer or any other person takes any action to declare this Employment Agreement void and/or unenforceable, or institutes any litigation designed to deny, and/or to recover from, Executive the benefits intended to be provided to Executive hereunder, Employer hereby irrevocably authorizes Executive from time to time to retain counsel of his choice at the expense of Employer to represent Executive in connection with the initiation or defense of any litigation and/or other legal action, whether by or against Employer or any director, officer, stockholder, or other person affiliated with Employer in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between Employer and such counsel, into an attorney-client relationship with such counsel, and in that connection Employer acknowledges that a confidential relationship shall exist between Executive and such counsel. Employer shall pay and be solely responsible for any and all attorneys' and related fees and expenses incurred by Executive as a result of Employer or any person contesting the validity and/or enforceability of this Employment Agreement or any provision hereof.

IN WITNESS WHEREOF, the parties have caused this Employment Agreement to be effective as of the 26th day of June, 2000.

Attest: CONSOLIDATED STORES CORPORATION,
a Delaware Corporation

/s/ Charles W. Haubiel II By: /s/ Michael J. Potter

Secretary Michael J. Potter
Chairman and Chief Executive Officer

Attest: CONSOLIDATED STORES CORPORATION,
an Ohio Corporation

/s/ Charles W. Haubiel II By: /s/ Michael J. Potter

Secretary Michael J. Potter
Chairman and Chief Executive Officer

/s/ Albert J. Bell

Albert J. Bell

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT is entered into as of the 27th day of June, 2000, by and among CONSOLIDATED STORES CORPORATION, a Delaware corporation ("CSC"), CONSOLIDATED STORES CORPORATION, an Ohio corporation ("Consolidated") (CSC and Consolidated are hereinafter jointly referred to as "Employer"), and William G. Kelley, an individual residing in Florida ("Executive").

W I T N E S S E T H:

WHEREAS, Executive was formerly employed by each of CSC and Consolidated as its Chief Executive Officer, President and Chairman of the Board of Directors; and

WHEREAS, effective as of June 27, 2000 (the "Amendment Effective Date"), Executive voluntarily resigned from his positions as Chief Executive Officer and President of CSC and Consolidated, resigned from his position as Chairman of the Board of Directors of Consolidated and retired from all service as an employee, officer and director of each of CSC's other direct and indirect subsidiaries; and

WHEREAS, Executive will continue as Chairman of the Board of Directors of CSC (the "Board") until the date prior to the date of the next scheduled meeting of the Board of CSC which will be August 14, 2000 and thereafter will continue as an employee of Employer pursuant to this Employment Agreement; and

WHEREAS, the parties desire to set forth the terms and conditions of Executive's continued employment with Employer;

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

1. RESIGNATIONS.

(a) Executive acknowledges and agrees that, effective as of the Amendment Effective Date, he voluntarily resigned from his positions as Chief Executive Officer and President of each of CSC and Consolidated, resigned from his position as Chairman of the Board of Directors of Consolidated and retired from all service as an employee, officer and director of each of CSC's other direct and indirect subsidiaries.

(b) Executive shall serve as Chairman of the Board of CSC until August 14, 2000, whereupon he shall voluntarily resign as director and Chairman of the Board of CSC.

2. EMPLOYMENT DUTIES.

(a) EMPLOYMENT. During the term of this Employment Agreement, and in addition to his duties as Chairman of the Board of CSC until August 14, 2000, Employer shall employ Executive as an employee of Employer, with the duty of providing advice and counsel from time to time to the Board of CSC and to Employer's senior management relating to (i) merchandising matters, (ii) the competitors of Employer, (iii) mergers and acquisitions and (iv) such other strategic matters as determined by the Board of CSC or by senior management of Employer. Executive shall

report directly to the Vice Chairman of the Board of CSC. Executive shall prepare monthly reports (one per quarter which shall be in writing) summarizing his activities and shall prepare such other summary reports as the Vice Chairman of the Board of CSC may reasonably request on matters within the scope of the Executives duties hereunder. Except for his position as Chairman of the Board of CSC until August 14, 2000, Executive shall not be an officer or director of CSC or any of its subsidiaries.

(b) DUTIES AND ATTENTION. Executive shall, from time to time, devote such portion of his business time and attention to his duties and responsibilities hereunder as is necessary to fulfill those duties and shall perform diligently such duties. Subject to Paragraph 9(a), so long as it does not interfere in any material respect with his duties under this Employment Agreement, Executive may (i) render services of a business, professional, commercial or other nature for compensation to other persons or firms, (ii) attend to outside investments and serve as a director, trustee or officer of or otherwise participate in educational, welfare, social, religious and civic organizations and (iii) serve as a director of public or private corporations that are not engaged in the Company Business (as defined in Paragraph 9(a) hereof).

(c) BUSINESS DECISIONS. Executive shall have no liability to Employer for any act or omission undertaken during the term of this Employment Agreement in his good faith business judgment in furtherance of his duties as prescribed in or under this Employment Agreement.

(d) INDEMNIFICATION. For service through the Amendment Effective Date as a director or officer of CSC, Consolidated or any subsidiary of either of them and for service as Chairman of the Board of CSC through August 14, 2000, which service shall in each instance be deemed to be at the request of CSC and its Board of Directors, Executive shall be entitled to the protection of the applicable indemnification provisions of the charter and by-laws of CSC, Consolidated and any such subsidiary, and Employer agrees to indemnify and hold harmless Executive from and against any claims, liabilities, damages or expenses incurred by Executive in or arising out of the status, capacities and activities as an officer or director of CSC, Consolidated and any subsidiary of either to the maximum extent permitted by law.

3. TERM.

Subject to the effectiveness of this Employment Agreement pursuant to Section 22, Executive's service as an employee hereunder shall commence as of the Amendment Effective Date and shall end on August 14, 2002, unless earlier terminated as provided herein.

4. COMPENSATION.

(a) SALARY. For Executive's service as an employee hereunder, Employer shall pay to Executive a base salary as follows, (i) for the period commencing on the Amendment Effective Date and ending on August 14, 2001, a salary at the rate of nine hundred eighty-two thousand dollars (\$982,000.00) per annum, and (ii) for the period August 15, 2001 through August 14, 2002, a salary of two hundred thousand dollars

(\$200,000) and, in the case of each of (i) and (ii), payable in those installments customarily used in payment of salaries to Employer's executives (but in no event less frequently than monthly).

(b) BONUS. (i) In addition to the salary compensation as above stated, Employer shall pay to Executive bonus compensation for the fiscal year 2000 equal to the bonus to which he would have been entitled under Employer's Key Associate Annual Incentive Compensation Plan as in effect on the date hereof had he remained Chairman of the Board and Chief Executive Officer of CSC through the end of such fiscal year, multiplied by a fraction, the numerator of which is 199 (the number of days in fiscal year 2000 through August 14, 2000) and the denominator of which is 365. Executive's bonus as set forth in this Paragraph 4(b) shall be the only cash incentive compensation to which Executive shall be entitled in respect of his services during the term of this Employment Agreement.

(ii) Any bonus paid for the fiscal year 2000 under Paragraph 4(b) (i) shall be paid as and when such bonuses are paid to senior management of Employer. In the event of a termination of Executive's employment prior to the payment of said bonus as a consequence of Executive's death or "permanent disability" (as defined below), Executive or his estate, as the case may be, shall be entitled to receive said bonus when and as provided in the first sentence of this Paragraph 4(b) (ii). For the purposes of this Employment Agreement, Executive's "permanent disability" occurrence and benefits

shall be determined in the same manner as are other such occurrences and benefits under Employer's Disability Policy in effect at the date of the occurrence.

(c) ACCELERATED PAYMENTS. (i) Upon a "Change in Control" of CSC, all amounts payable under this Paragraph 4 shall become immediately due and payable.

(ii) As used herein, "Change in Control" means any of the following events: (i) any person or group (as defined for purposes of Section 13(d) of the Securities Exchange Act of 1934) becomes the beneficial owner of, or has the right to acquire (by contract, option, warrant, conversion of convertible securities or otherwise), 20% or more of the outstanding equity securities of CSC entitled to vote for the election of directors; (ii) a majority of the Board of Directors of CSC is replaced within any period of two years or less by directors not nominated and approved by a majority of the directors of CSC in office at the beginning of such period (or their successors so nominated and approved), or a majority of the Board of Directors of CSC at any date consists of persons not so nominated and approved; (iii) the stockholders of CSC approve an agreement to reorganize, merge or consolidate with another corporation (other than Consolidated or an affiliate); or (iv) the stockholders of CSC adopt a plan or approve an agreement to sell or otherwise dispose of all or substantially all of CSC's assets (including without limitation, a plan of liquidation or dissolution), in a single transaction or series of related transactions. The effective date of any such Change in Control shall be the date upon which the last event occurs or last action taken such that the definition of such Change in Control (as set forth above) has been met. For purposes of this Employment

Agreement, the term "affiliate" shall mean: (i) any person or entity qualified as part of an affiliated group which includes Consolidated and CSC pursuant to Section 1504 of the Code; or (ii) any person or entity qualified as part of a parent-sub subsidiary group of trades and businesses under common control within the meaning of Treasury Regulation Section 1.414(c)(2)(b). Determination of affiliate status shall be tested as of the date immediately prior to any event constituting a Change in Control. The other provisions of this Paragraph 4(c)(iii) notwithstanding, the term "Change in Control" shall not mean any transaction, merger, consolidation, or reorganization in which CSC exchanges or offers to exchange newly issued or treasury shares in an amount less than 50% of the then outstanding equity securities of CSC entitled to vote for the election of directors, for 51% or more of the outstanding equity securities entitled to vote for the election of at least the majority of the directors of a corporation other than Consolidated or an affiliate thereof (the "Acquired Corporation"), or for all or substantially all of the assets of the Acquired Corporation.

5. TRANSPORTATION. During the term of this Employment Agreement, Employer shall continue to provide Executive with the automobile being used by the Executive as of the Amendment Effective Date. Employer shall pay all maintenance and repair expenses with respect to the automobile, procure and maintain in force at Employer's expense collision, comprehensive, and liability insurance coverage with respect to the automobile, and pay operating expenses with respect to the automobile to the extent such operating expenses are incurred in the conduct of Employer's business.

Employer shall also pay for all costs and expenses in transporting such automobile from Columbus, Ohio to Naples, Florida. At the end of the lease term, Executive shall be permitted to purchase such automobile in accordance with applicable Employer policy.

6. LIFE INSURANCE, OTHER BENEFITS AND STOCK OPTIONS.

(a) VACATION AND SICK LEAVE. During the term of this Employment Agreement, Executive shall be entitled to such periods of vacation and sick leave allowance each year which shall not be less than as provided under Employer's Vacation and Sick Leave Policy for executive officers.

(b) GROUP PLANS, ETC. During the term of this Employment Agreement, Executive shall be entitled to participate in any group life, hospitalization, or disability insurance plan, health program, retirement plan or other executive benefit plan (other than bonus compensation or performance plans) that is generally available to senior executive officers, as distinguished from general management, of Employer. Executive's participation in and benefits under any such plan shall be on the terms and subject to the conditions specified in the governing document of the particular plan. Executive shall be entitled to 100% reimbursement of his medical and dental expenses incurred during the term of this Employment Agreement.

(c) Any and all options to purchase shares of common stock of Employer or any of its subsidiaries under any plan of Employer or any of its subsidiaries shall remain outstanding, shall continue to vest and be and become exercisable in accordance with their terms as set forth in any applicable stock option agreement and, to

the extent vested and exercisable upon termination of Executive's employment hereunder, shall remain outstanding and exercisable for 90 days thereafter.

7. TERMINATION AND FURTHER COMPENSATION.

(a) The employment of Executive under this Employment Agreement and the term hereof may be terminated by Employer for cause at any time. For purposes hereof; the term "cause" shall mean:

- (A) Executive's conviction of a felony or acts of embezzlement, fraud or theft, in each case from or involving Employer or any subsidiary;
- (B) Executive's breach of any of the Restrictive Covenants (as defined in Paragraph 9(b) below) or Executive's willful breach in a material respect of any other material provision of this Employment Agreement which failure has not been cured in all substantial respects within ten (10) days after Employer gives written notice thereof to Executive; or
- (C) Executive's willful, wrongful engagement in any Competitive Activity (as that term is hereinafter defined).

Any termination of Executive for "cause" shall not be effective until all the following shall have taken place:

- (i) The Secretary of CSC pursuant to resolution of the Board, shall have given written notice to Executive that, in the opinion of the Board, Executive may be terminated for cause, specifying the details;
- (ii) Executive shall have been given a reasonable opportunity to appear before the Board prior to the determination of the Board evidenced by such resolution;
- (iii) With respect to any matters other than Executive's conviction of a felony or acts of embezzlement, fraud or theft, Executive shall neither have ceased to engage in the activity giving rise to the proposed termination for cause within thirty (30) days after his receipt of such written notice nor diligently taken all reasonable steps to that end during such thirty (30) day period and thereafter;
- (iv) After complying with the procedures set forth in subparagraphs (i) through (iii) above, Executive shall have been delivered a certified copy of a resolution of the Board adopted by the affirmative vote of not less than three-fourths (3/4) of the entire membership of the Board finding that Executive was guilty of the conduct giving rise to the termination for cause.

Any termination by reason of the foregoing shall not be in limitation of any other right or remedy Employer may have under this Employment Agreement, at law, in equity or otherwise.

The term "Competitive Activity" shall mean Executive's participation, without the written consent of the Board, in the management of any business operation of any enterprise if such operation (a "Competitive Operation") engages in substantial and direct competition with Employer or any subsidiary. For purposes of this Employment Agreement, a business enterprise shall be considered in substantial and direct competition with Employer or any subsidiary if such business operation's sales of closeout merchandise, furniture merchandise or toy merchandise amount to ten percent (10%) or more of such business operation's total sales. "Competitive Activity" shall not include (i) the mere ownership of securities in any publicly traded enterprise and the exercise of rights appurtenant thereto or (ii) participation in management of any publicly traded enterprise or business operation thereof other than in connection with the Competitive Operation of such enterprise.

(b) In the event of termination for "cause" set forth in subparagraph (a) of this Paragraph 7, except as otherwise provided in Paragraph 8 of this Employment Agreement, Executive shall be entitled to no further compensation or other benefits under this Employment Agreement (other than as provided by law), except as to that portion of any unpaid salary and other benefits accrued and earned by him hereunder up to and including the effective date of such termination.

(c) If Executive hires legal counsel with respect to any alleged failure by Employer to comply with any of the terms of this Employment Agreement, or institutes any negotiation or institutes or responds to any legal action to assert or defend the validity of or to enforce Executive's rights under, or to recover damages for breach of, this Employment Agreement, Employer shall pay Executive's expenses for reasonable attorneys' fees and disbursements, together with such additional payments, if any, as may be necessary so that the net after-tax payments so made to Executive equal such fees and disbursements; provided, that Executive shall be responsible for his own fees and expenses with respect to any lawsuit between Executive and Employer to enforce rights or obligations under this Employment Agreement in which Employer is the prevailing party. The fees and expenses incurred by Executive in instituting or responding to any such negotiation or legal action shall be paid by Employer as they are incurred, in advance of the final disposition of the action or proceeding, upon receipt of an undertaking by Executive to repay such amounts if Employer is ultimately determined to be the prevailing party.

(d) If any amount due Executive hereunder is not paid when due, then Employer shall pay interest on said amount at an annual rate equal to the base lending rate of National City Bank, Cleveland, Ohio, or successor, as in effect from time to time, for the period between the date on which such payment is due and the date said amount is paid.

(e) Employer's obligation to pay Executive the compensation and to make the arrangements required hereunder shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, any setoff, counterclaim, recoupment, defense or other right that Employer may have against Executive or otherwise. All amounts payable by Employer hereunder shall be paid without notice or demand. Each and every payment made hereunder by Employer shall be final and Employer shall not seek to recover all or any part of such payment from Executive or from whosoever may be entitled thereto, for any reason whatsoever. Executive shall not be obligated to seek other employment or compensation or insurance in mitigation of any amount payable or arrangement made under any provision of this Employment Agreement, and the obtaining of any such other employment or compensation or insurance shall in no event effect any reduction of Employer's obligations to make the payments and arrangements required to be made under this Employment Agreement.

(f) From and after any termination of Executive's employment, Executive shall retain in confidence and not use for his own benefit or on behalf of any other person or entity any confidential information known to him concerning Employer, its subsidiaries and their respective businesses so long as such information is not publicly disclosed by someone other than Executive.

(g) Any provision in this Employment Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the

extent of such prohibition or unenforceability without invalidating or affecting 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.

8. EXPENSES.

(a) Employer shall reimburse Executive during the term of this Employment Agreement for those expenses reasonably incurred by Executive in connection with his duties hereunder which are approved in advance by Employer. Executive shall furnish such documentation with respect to reimbursement to be paid under this Paragraph 8 as Employer shall reasonably request. From and after August 14, 2000, Employer shall cease payment or reimbursement of any cellular telephone expenses incurred by Executive and any expenses for security monitoring or other security services being provided to Executive; provided, however, that the security system in place at Executive's residence at 2115 Waltham Road, Columbus, Ohio, shall be maintained by Employer at its expense through the sale of such residence, but in no event beyond the term of the Employment Agreement.

(b) Employer shall reimburse Executive for expenses reasonably incurred by Executive in connection with Executive's resignations pursuant to Paragraph 1 hereof and in connection with the negotiation and execution of this Employment Agreement.

9. COVENANTS OF EXECUTIVE AND EMPLOYER.

(a) COVENANT AGAINST COMPETITION. Executive acknowledges that (i) the principal businesses of Employer include the operation of its "Odd Lots", "Big Lots", "MacFrugal's" and "Pic N' Save" discount general merchandise consumer goods retail outlets, the inventories of which are acquired primarily through special purchase situations such as overstocks, closeouts, liquidations, bankruptcies, wholesale distribution of overstock, distress, liquidation and other volume inventories, the operation of its K-B Toy, K-B Toy Works, K-B Toy Liquidator toy stores and the K-Bkids.com website, and the operation of its Big Lots Furniture and Odd Lots Furniture stores (the "Company Business"); (ii) Employer is one of the limited number of persons who has developed such business; (iii) the Company Business is national in scope; (iv) Executive's work for Employer will give him access to the confidential affairs of Employer; and (v) the agreements and covenants of Executive contained in this Paragraph 9 are essential to the business and goodwill of Employer. Accordingly, Executive covenants and agrees that:

- (A) While the Executive is an employee of Employer or, if later, until August 14, 2002, (the "Restricted Period"), Executive shall not in any location where Employer's or any of its subsidiaries retail stores are located throughout the United States of America, directly or indirectly, (1) engage in the Company Business for Executive's own account (other than pursuant to this Employment Agreement), (2) render any

services to any person engaged in such activities (other than Employer), or (3) or engage in any Competitive Activity (as defined above); provided, however, that the covenant against competition set forth in this Paragraph 9(a)(A) shall cease to be of any force and effect as of the first day immediately following the six-month anniversary of a Change in Control.

- (B) While the Executive is an employee of Employer and thereafter, Executive shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, any confidential matters relating to the Company Business hereafter learned by Executive, and shall not disclose them to anyone except with Employer's express written consent and except for information which (i) is at the time of receipt, or thereafter becomes, publicly known through no wrongful act of Executive, or (ii) is received from a third party not under an obligation to keep such information confidential and without breach of this Employment Agreement.
- (C) During the Restricted Period, the Executive shall not, without Employer's prior written consent, directly or indirectly, solicit or encourage to leave the employment of Employer or any of

its subsidiaries, any executive of Employer or any of its subsidiaries.

- (D) All memoranda, notes, lists, records and other documents (and all copies thereof) made or compiled by Executive or made available to Executive concerning the Company Business shall be Employer's property and shall be delivered to Employer at any time on request.
- (E) While the Executive is an employee of Employer and thereafter, (i) Executive will not make or publish any materially disparaging statements (whether written, electronic or oral) regarding, or otherwise malign the business reputation of, Employer, any of its subsidiaries or affiliates, or any employee, officer or director of any of them, and (ii) CSC will not make or publish any materially disparaging statements (whether written, electronic or oral) regarding, or otherwise malign Executive.

(b) RIGHTS AND REMEDIES UPON BREACH. If Executive breaches any of the provisions of Paragraph 9(a) (the "Restrictive Covenants"), or a breach thereof is imminent, Employer shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which

rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to Employer under law or in equity:

- (i) The right and remedy to have the Restrictive Covenants specifically enforced by any court having equity jurisdiction, including, without limitation, the right to an entry against Executive of restraining orders and injunctions (preliminary, temporary or permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to Employer and that money damage will not provide adequate remedy to Employer; and
- (ii) The right and remedy to require Executive to account for and pay over to Employer all compensation, profits, monies, accruals, increments, or other benefits derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants. Employer may set off any amounts finally determined to be due it under this Paragraph 9(b) against any amounts owed to Executive.

(c) SEVERABILITY OF COVENANTS. Executive acknowledges and agrees that the Restrictive Covenants are reasonable in geographical and temporal scope, with respect

to the activities restricted and in all other respects. If it is determined that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portions.

(d) BLUE-PENCILLING. If it is determined that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

(e) COVENANT REGARDING NOTICE OF SALE OF COMMON STOCK. If at any time Executive wishes to sell shares of common stock of CSC, he shall first give notice to the Chief Executive Officer of CSC of the number of shares of common stock to be sold and the proposed date or dates of the sale and, if the sale is other than a sale on an established securities exchange, the name and address of the proposed transferee and the terms and conditions of the sale. Executive acknowledges that CSC and its subsidiaries and affiliates, and their employees, directors, consultants and advisors, (i) may from time to time be in possession of material, non-public information concerning CSC and its subsidiaries and affiliates and (ii) shall have no obligation to provide (and shall not provide) any such information to Executive other than at the times, and in the manner, such information is provided to stockholders of CSC generally. Employer acknowledges that Executive shall have no obligation hereunder to obtain prior approval of any sale of

common stock of CSC. Executive covenants that he shall not at any time seek to obtain any material, non-public information concerning CSC or any of its subsidiaries or affiliates from any employee or director of, or consultant or advisor to, CSC or any of its subsidiaries or affiliates.

10. WITHHOLDING TAXES. Except as otherwise provided, all payments to Executive, including the bonus compensation under this Employment Agreement, shall be subject to withholding on account of federal, state, and local taxes as required by law. Any amounts remitted by Employer to the appropriate taxing authorities as taxes withheld by Employer from Executive on income realized by Executive shall reduce the amounts payable by Employer to Executive hereunder. If any particular payment required hereunder is insufficient to provide the amount of such taxes required to be withheld, Employer may withhold such taxes from any other payment due Executive.

11. NO CONFLICTING AGREEMENTS. Executive represents and warrants that he is not a party to any agreement, contract or understanding, whether employment or otherwise, which would restrict or would prohibit him from undertaking or performing employment in accordance with the terms and conditions of this Employment Agreement.

12. SEVERABLE PROVISIONS. The provisions of this Employment Agreement are severable, and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions and any partially unenforceable provision to the extent enforceable in any jurisdiction shall, nevertheless, be binding and enforceable.

13. BINDING AGREEMENT. Employer shall require any successor (whether direct or indirect), by purchase, merger, consolidation, reorganization or otherwise, to all or substantially all of the business and/or assets of any of them expressly to assume and to agree to perform this Employment Agreement in the same manner and to the same extent that each of them would be required to perform if no such succession has taken place. This Employment Agreement shall be binding upon and inure to the benefit of Employer and any of its successors, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of Employer whether by sale, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Employer" for purposes of this Employment Agreement), but shall not otherwise be assignable or delegatable by Employer.

This Employment Agreement shall inure to the benefit of and be enforceable by Executive and each of Executive's personal or legal representatives, executive, administrators, successor, heirs, distributees and/or legatees.

14. NOTICES. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed five (5) days after the date of deposit in the United States mails as follows:

(i) if to Employer to:

Consolidated Stores Corporation
300 Phillipi Road
Columbus, Ohio 43228-1310
Attention: Albert J. Bell, Esq., Vice Chairman and Chief
Administrative Officer

with a copy to: Chairman of the Compensation Committee of CSC

(ii) if to the Executive to:

William G. Kelley
2800 Gordon Drive
Naples, Florida 34102

with a copy to:

Randall M. Walters, Esq.
Jones, Day, Reavis & Pogue
1900 Huntington Center
Columbus, Ohio 43215-6113

Any such person may by notice given in accordance with this Paragraph 14 to the other parties hereto, designate another address or person for receipt by such person of notices hereunder.

15. WAIVER. The failure of either party to enforce any provision or provisions of this Employment Agreement shall not in any way be construed as a waiver of any such provision or provisions as to any future violations thereof; nor prevent that party thereafter from enforcing each and every other provision of this Employment Agreement. The rights granted the parties herein are cumulative and the waiver of any single remedy shall not constitute a waiver of such party's rights to assert all other legal remedies available to it under the circumstances.

16. MISCELLANEOUS. This Employment Agreement supersedes all prior agreements and understandings between the parties (including, without limitation, the Employment Agreement dated May 19, 1998 to which Executive is a party (the "Prior Agreement")) and may not be modified or terminated orally. No modification, termination or attempted waiver shall be valid unless in writing and signed by the party against whom the same is sought to be enforced. If Executive is successful in any proceeding against Employer to collect amounts due Executive under this Employment Agreement, Employer shall reimburse Executive for his court costs and reasonable attorneys' fees in connection therewith.

17. GOVERNING LAW. This Employment Agreement shall be governed by and constructed according to the laws of the State of Ohio.

18. CAPTIONS AND PARAGRAPHS HEADINGS. Captions and paragraph headings used herein are for convenience and are not a part of this Employment Agreement and shall not be used in construing it.

19. INTERPRETATION. Where necessary or appropriate to the meaning hereof, the singular and plural shall be deemed to include each other, and the masculine, feminine and neuter shall be deemed to include each other.

20. AMENDMENTS. Neither Employer nor Executive shall amend, terminate, or suspend this Employment Agreement or any provision hereof without the written consent of the other party.

21. LEGAL FEES AND EXPENSES. It is the intent of Employer that Executive not be required to incur the expenses associated with the enforcement of his rights under this Employment Agreement in the event of a Change in Control by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to Executive hereunder. Accordingly, if it should appear to Executive that Employer has failed to comply with any of its obligations under this Employment Agreement, or in the event that Employer or any other person takes any action to declare this Employment Agreement void and/or unenforceable, or institutes any litigation designed to deny, and/or to recover from, Executive the benefits intended to be provided to Executive hereunder, Employer hereby irrevocably authorizes Executive from time to time to retain counsel of his choice at the expense of Employer to represent Executive in connection with the initiation or defense of any litigation and/or other legal action, whether by or against Employer or any director, officer, stockholder, or other person affiliated with Employer in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between Employer and such counsel, into an attorney-client relationship with such counsel, and in that connection Employer acknowledges that a confidential relationship shall exist between Executive and such counsel. Employer shall pay and be solely responsible for any and all attorneys' and related fees and expenses incurred by Executive as a result of Employer or any person contesting the validity and/or enforceability of this Employment Agreement or any provision hereof.

22. RELEASE OF CLAIMS; EFFECTIVE DATE. Contemporaneously with the execution of this Employment Agreement, Executive is executing a general release of claims in favor of CSC, its subsidiaries, affiliates, employees, officers and directors (the "Release"). This Employment Agreement shall not become effective until the Release Effective Date (as defined in the Release). In the event that Executive revokes the Release prior to the Release Effective Date, this Employment Agreement shall become null and void, such that, without limitation, neither this Employment Agreement nor the Release will have any effect on the effectiveness of the Prior Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement, effective as of the Amendment Effective Date.

Attest: CONSOLIDATED STORES CORPORATION,
a Delaware Corporation

/s/ Michael A Schlonsky

Assistant Secretary

By: /s/ Albert J. Bell

Albert J. Bell
Vice Chairman and Chief Administrative
Officer

CONSOLIDATED STORES CORPORATION,
an Ohio Corporation

By: /s/ Albert J. Bell

Albert J. Bell
Vice Chairman and Chief Administrative
Officer

/s/ William G. Kelley

WILLIAM G. KELLEY

337548 (7/18/00)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL DATA EXTRACTED FROM CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FILED IN FORM 10Q AS OF JULY 29, 2000, AND THE TWENTY-SIX WEEK PERIOD THEN ENDED, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

6-MOS		
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	JAN-30-2000	
	JUL-29-2000	
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	(75,856)	
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