UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended February 1, 1997

Commission file number 1-8897

CONSOLIDATED STORES CORPORATION

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

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

Title of each class	Name of each Exchange on which registered
Common Stock $.01 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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

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

The aggregate market value (based on the closing price on the New York Stock Exchange) of the Common Stock of the Registrant held by non affiliates of the Registrant was $2,441,296,449 on April 3, 1997. For purposes of this response, executive officers and directors are deemed to be the affiliates of the Registrant and the holdings by non affiliates was computed as 67,114,679 shares.

The number of shares of Common Stock $.01 par value per share, outstanding as of April 3, 1997, was 67,339,903 and there were no shares of Non-Voting Common Stock, $.01 par value per share outstanding at that date.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement are incorporated by reference into Part III.

FORM 10-K

ANNUAL REPORT
FOR THE FISCAL YEAR ENDED FEBRUARY 1, 1997

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PART I

Item 1 Business

INDUSTRY OVERVIEW

Closeout retailing is one of the fastest-growing segments of the retail industry in the United States. Closeout retailers provide a valuable service to manufacturers by purchasing excess product that generally result from production overruns, package changes, discontinued products and returns. Closeout retailers also take advantage of generally low prices in the off-season by buying and warehousing seasonal merchandise for future sale. As a result of these lower costs of goods sold, closeout retailers can offer merchandise at prices significantly lower than those offered by traditional retailers.

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

THE COMPANY

The Company is the nation's largest closeout retailer with 1,798 stores located in all 50 states and Puerto Rico. The Company operates 614 retail closeout stores under the names Odd Lots and Big Lots (Closeout Stores) in the midwestern, southern and mid-Atlantic regions of the United States, and 1,184 retail toy and closeout toy stores throughout the United States and Puerto Rico, primarily under the names Kay-Bee Toys, KB Toy Works, and KB Toy Outlet (Toy Stores). Kay-Bee is the largest enclosed shopping mall-based toy retailer in the United States. 1,042 of the Toy Stores were acquired as of May 5, 1996 in the acquisition of Kay-Bee Center, Inc. from Melville Corporation (Acquisition). As a value retailer focused on closeout merchandise, the Company seeks to provide the budget-conscious consumer with a broad range of quality, name-brand products at exceptional values. The Company's name-brand closeout merchandise primarily consists of products obtained from manufacturers' excess inventories, which generally result from production overruns, package changes, discontinued products and returns.

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

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

The Acquisition has allowed the Company to expand significantly its retail toy store business at a relatively low cost. In addition, as a result of the Acquisition, the Company will more than double its purchases of closeout toys and become the largest purchaser of closeout toys in the United States. The Company expects that this combined

purchasing power will enhance its ability to source high-quality closeout toys for all of its stores at competitive prices.

In the fourth quarter the Company announced its plan to discontinue operations of the All For One and iTZADEAL! businesses. Closure of the 165 store division is anticipated to be completed by the end of 1997.

BUSINESS STRATEGY

The Company's goal is to build upon its leadership position in closeout retailing, one of the fastest growing segment of the retailing industry, by expanding its market presence in its existing and in new markets. The Company has adopted a business strategy of pursuing growth by capitalizing on the following competitive strengths: (i) its ability to offer name-brand products at discounted prices; (ii) its purchasing expertise and strong buying relationships; (iii) its ability to lease low cost store sites in strip shopping centers, enclosed shopping malls and outlet malls on favorable terms; (iv) its ability to efficiently warehouse and distribute large quantities of merchandise; and (v) its focus on cost control.

- OFFERING NAME-BRAND MERCHANDISE AT DEEPLY DISCOUNTED PRICES The success of the Company's closeout business depends upon its ability to select and purchase quality merchandise at attractive prices in order to maintain a balance of product in certain core merchandising categories along with a changing mix of merchandise. As a retailer focused on closeout merchandise, the Company's goal is to provide budget-conscious consumers with a broad range of quality name-brand products at exceptional values. The Company purchases large quantities of name-brand closeout merchandise from manufacturers' excess inventories, which generally result from production overruns, package changes, discontinued products and returns. The Company also takes advantage of the availability of factory reconditioned products and lower priced, private-label merchandise in selected product categories in order to provide additional value to its customers. Primarily as a result of its strong supplier relationships and purchasing expertise, the Company offers substantial everyday savings on a wide variety of name-brand consumer products, including food items, health and beauty aids, electronics, housewares, tools, paint, lawn and garden, hardware, sporting goods, toys and softlines, typically offering merchandise at prices 15% to 35% below those offered by other discount retailers and up to 70% below those offered by traditional retailers. In addition, the Company supplements its broad offering of consumer items in core product categories with a changing mix of new merchandise, including seasonal goods, such as holiday and back-to-school merchandise.

- PURCHASING EXPERTISE AND STRONG BUYING RELATIONSHIPS An integral part of the Company's business is the sourcing and purchasing of quality name-brand merchandise. The Company has built strong relationships with many name-brand manufacturers and has capitalized on its purchasing power in the closeout and toy marketplace in order to source merchandise that provides exceptional value to customers. As the largest retailer of closeout merchandise in the United States, the Company generally has the ability to purchase all of a manufacturer's closeout merchandise in specific product categories and to control distribution in accordance with vendor instructions, thus providing a high level of service and convenience to these manufacturers. The success of the Company's toy business depends in part upon its ability to purchase in-line toys at competitive prices and on competitive terms.

  Furthermore, the Company's strong buying relationships and financial flexibility enable it to purchase merchandise off-season, typically at lower costs. The Company purchases merchandise from over 3,000 domestic and foreign vendors which provides multiple sources for each product category. The Company has significantly expanded its vendor base over the past several fiscal years as a result of its size, credibility, financial strength and seasoned buying team. The Company believes that its management has long standing relationships with its suppliers and is competitively positioned to continue to seek new sources.

- LOW COST SITE SELECTION The Company has developed a real estate strategy for its Closeout Stores emphasizing smaller-sized stores in strip shopping center locations in mid-sized cities and small towns. The Company believes its ability to obtain these sites on attractive terms has been enhanced by the ongoing consolidation in the retailing industry and the migration of many retailers to larger-sized stores. The Company seeks to enter into three to five year leases (with renewal options) that provide for low rents and generally strives to minimize the capital required to open a store. In addition to enhancing the Company's ability to provide value to its customers, this strategy has led to an attractive store level return on investment.

- EFFICIENT WAREHOUSE/DISTRIBUTION OPERATIONS Since 1990, the Company has focused on increasing the efficiency and reducing the cost of its operations in order to improve profitability and enhance its competitive position. The Company believes it operates the largest retail warehouse/distribution center of its kind in the United States, which covers 3,558,000 square feet. The size of this facility enables the Company to store large quantities of merchandise purchased off-season at low prices for distribution to its stores at a later date. This highly automated facility uses bar code scanning and high-speed sortation systems to process and distribute large quantities of constantly changing merchandise in a timely and cost-efficient manner. The Company will begin implementation of a sophisticated new information system in its closeout business in fiscal 1997 that will enable it to more effectively allocate and manage inventory by SKU. These systems are expected to improve comparable store sales and inventory turns and reduce the need to move merchandise between stores. The Company intends to continue to invest in its infrastructure in order to increase efficiency, reduce cost and support its expanding operations.

- FOCUS ON COST CONTROL The Company maintains a disciplined approach to cost control in all aspects of its business including store expenses, corporate expenses, store leases, fixtures, leasehold improvements, distribution, transportation and inventory management. In addition to its low cost approach to store leasing and efficient warehousing and distribution methods, the Company has implemented numerous expense savings programs in areas such as store payroll, shrink control, accident prevention and other store-related expense categories.

The Company believes that the combination of its strengths in merchandising, purchasing, site selection, distribution and cost-containment has made it a low-cost, value retailer well-positioned for future growth.

GROWTH STRATEGY

The Company's growth strategy is to increase net sales and earnings through (i) new store expansion, (ii) comparable store sales increases and (iii) selective acquisitions.

- NEW STORE EXPANSION The Company has historically increased retail selling space by approximately 10% to 15% per fiscal year.

  CLOSEOUT STORES

  Currently, the Company's Closeout Stores are primarily located in the midwestern, southern, and mid-Atlantic regions of the United States. The closeout business has been able to operate profitably a large number of stores in relatively close proximity in markets with favorable demographics and suitable store sites. For example, the Company operates 108 of the total 614 Closeout Stores in Ohio. Management believes that there are substantial opportunities to increase store counts in existing markets. In addition, the Company believes the southwestern and western areas of the United States have significant longer term growth potential for Closeout Stores because the Company has few stores in these regions. The Company plans to open approximately 85 to 95 new Closeout Stores, net of store closings, in fiscal 1997.

TOY STORES

The Company has a large presence in enclosed shopping malls with 911 Toy Stores where the Company is usually the exclusive toy store. The Company expects to increase the number of enclosed shopping mall-based toy stores in the coming years. 273 Toy Stores are located in strip shopping centers and outlet malls. The Company plans to open approximately 100 to 115 new Toy Stores, net of store closings in fiscal 1997. The smaller strip shopping center stores strive to appeal to customers seeking value and the convenience not offered by toy superstores. The Company believes that the opening of toy stores in strip shopping centers has significant potential for growth over the next several years.

- - COMPARABLE STORE SALES INCREASES The Company continually seeks to increase comparable store sales and has undertaken several initiatives which it believes should positively affect comparable store sales over the next several years. The Company has achieved positive same store sales in each of the last six fiscal years.

CLOSEOUT STORES

The Company is seeking to attract new customers and gradually increase the size of its average transaction by introducing and expanding key merchandise categories such as toys, electronics (including telephones, answering machines and portable stereos), and furniture and gradually modifying its merchandise mix to include a greater percentage of items with higher average retail price points. In addition, the Company has a television advertising program in certain markets. The Company intends to expand and refine its use of television advertising to increase awareness of its stores and to attract new and repeat customers. Furthermore, the Company will implement an improved inventory management system that the Company expects will allow it to improve its process for allocating specific products to individual stores based on the item's sales performance and inventory levels.

TOY STORES

The Company expects that this increased purchasing power will enhance its ability to source high-quality closeout toys for all of its stores at competitive prices. In addition, the Company intends to gradually increase the percentage of higher-margin closeout toys in order to increase both gross margins and the value offered to customers.

- - SELECTIVE ACQUISITIONS The Company has grown, in part, through selective acquisitions and believes that the current trend in retailing will present opportunities for further strategic acquisitions.

RETAIL OPERATIONS

CLOSEOUT STORES

The Company's Closeout Stores carry a wide variety of name-brand consumer products, including food items, health and beauty aids, electronics, housewares, tools, paint, lawn and garden, hardware, sporting goods, toys and softlines. The Closeout Stores also sell factory reconditioned products and lower-priced, private-label merchandise in selected product categories. These core categories of merchandise are carried on a continual basis, although the specific name-brands offered may change frequently. The Company also supplements its broad selection of consumer products in core product categories with seasonal goods and holiday merchandise. Closeout Stores are located predominantly in strip shopping centers located in the midwestern, southern and mid-Atlantic regions of the United States. Individual stores range in size from 5,202 to 70,417 selling square feet and average approximately 20,092 selling square feet. In selecting suitable new store locations, the Company generally seeks retail space between 22,000 square feet and 30,000 square feet in size. The average cost to open a new store in a leased facility

is approximately $710,000, including inventory. The Company plans to open 85 to 95 new stores, net of store closings, during fiscal 1997, all of which will be leased. Because of their low operating costs, the Closeout Stores are generally profitable within their first full year of operation. Management regularly monitors all stores against established profitability standards and evaluates underperforming stores on an individual basis.

TOY STORES

The Company's Toy Stores are located in enclosed shopping malls, outlet malls, and strip shopping centers. Enclosed mall and strip shopping center Toy Stores carry a combination of in-line toys and close-out merchandise. Toy Stores located in outlet malls carry primarily close-out toys supplemented by selected in-line toys. The Company's 1,184 Toy Stores are located in enclosed shopping malls, outlet malls and strip shopping centers across the United States and Puerto Rico. Enclosed shopping mall-based stores range in size from 1,942 to 10,709 selling square feet and average approximately 3,265 selling square feet. Outlet mall stores range in size from 2,313 to 5,616 selling square feet and average approximately 4,004 selling square feet. Strip shopping center stores range in size from 2,068 to 14,870 selling square feet, and the Company believes the average size of new strip shopping center stores will be approximately 6,000 to 8,000 square feet. During fiscal 1997, the Company estimates it will open 50 to 60 Toy Stores, net of store closings, in strip shopping centers and mills, 10 to 20 Toy Stores, net of store closings, in outlet malls, and the balance of openings in malls, all of which will be leased. In seeking suitable new store locations, the Company generally seeks retail space in both high-traffic strip shopping centers and outlet malls. The approximate average cost, including inventory, to open a new outlet mall store or strip shopping center store is $200,000 to $240,000, and $500,000 to open a mall store. In addition, 194 temporary Toy Stores were operated principally in enclosed shopping malls during the 1996 fall/winter holiday season. These temporary stores, which carried primarily closeout merchandise, were open for approximately six to eight weeks and provide increased sales and profits during the peak holiday selling season by utilizing vacant store space obtained on favorable terms. The average size of the temporary stores was approximately 4,100 square feet.

PURCHASING

An integral part of the Company's business is its ability to select and purchase quality closeout merchandise directly from manufacturers and other vendors at prices substantially below those paid by conventional retailers. As a result of the Acquisition, the Company will more than double its purchases of closeout toys and become the largest purchaser of closeout toys in the United States. The Company expects that this combined purchasing power will enhance its ability to source high quality closeout toys for all of its stores at competitive prices.

The Company has a seasoned buying team with extensive purchasing experience, which has enabled the Company to develop successful long-term relationships with many of the largest and most recognized consumer-product manufacturers in the United States. As a result of these relationships and the Company's experience and reputation in the closeout industry, many manufacturers offer purchase opportunities to the Company prior to attempting to dispose of their merchandise through other channels. The Company regularly purchases manufacturers' excess inventories, which generally result from production overruns, package changes, discontinued products and returns. Due to its size, credibility and financial strength, the Company frequently purchases all or substantially all of a given manufacturer's closeout products, thus providing a superior level of service and convenience to its vendors. The Company supplements its traditional name-brand closeout purchases with a limited amount of program buys and private-label merchandise.

The success of the Company's closeout business depends upon its ability to select and purchase quality merchandise at attractive prices in order to maintain a balance of product in certain core merchandising categories along with a changing mix of merchandise. The Company has no continuing contracts for the purchase of closeout merchandise and relies on buying opportunities from both existing and new sources, for which it competes with other closeout merchandisers and wholesalers. In addition, the success of the Company's toy business depends in part

upon its ability to purchase in-line toys at competitive prices and on competitive terms. The Company believes that its management has long standing relationships with its suppliers and is competitively positioned to continue to seek new sources to maintaining an adequate continuing supply of quality merchandise at attractive prices.

The Company's merchandise is purchased from over 3,000 foreign and domestic suppliers providing the Company with multiple sources for each product category. In fiscal 1996 and 1995, Consolidated Stores' top ten vendors accounted for approximately 23% and 12%, respectively, of total purchases with no one vendor accounting for more than 4.3% and 1.8%, respectively. Additionally, during fiscal 1996 the Company's top ten toy vendors, on a combined basis, would have provided approximately 47% of the Company's toy merchandise.

The Company purchases approximately 20% to 25% of its products directly from overseas suppliers, and a material amount of its domestically purchased merchandise is also manufactured abroad, including products such as seasonal items, toys, tools, housewares, giftware and novelties. As a result, a significant portion of the Company's merchandise supply is subject to certain risks including increased import duties and more restrictive quotas, loss of "most favored nation" trading status, currency fluctuations, work stoppages, transportation delays, economic uncertainties including inflation, foreign government regulations, political unrest and trade restrictions, including retaliation by the United States against foreign practices. While the Company believes that alternative domestic and foreign sources could supply merchandise to the Company, an interruption or delay in supply from China or the Company's other foreign sources, or the imposition of additional duties, taxes or other charges on these imports, could have a material adverse effect on the Company's results of operations and financial condition.

ADVERTISING and PROMOTION

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

CLOSEOUT STORES

The Company's marketing program for its Closeout Stores is designed to create an awareness of the broad range of quality, name-brand merchandise available at low prices. The Company utilizes a combination of weekly advertising circulars in all markets and television advertising in select markets. The Company currently distributes approximately 22 million four-page circulars 42 weeks out of the year. The method of distribution includes a combination of newspaper inserts and direct mail. These circulars are created in-house and are distributed regionally in order to take advantage of market differences caused by climate or other factors. The circulars generally feature 25 to 30 products that vary each week. The Company selects certain markets to run television promotions based upon factors unique to each market, including the number of stores, cost of local media and results of preliminary testing. The Company runs multiple 30-second television spots per week, each of which feature four to six highly recognizable, name-brand products. In-store promotions include periodic loudspeaker announcements featuring special bargains as well as humorous in-store signage to emphasize the significant values offered to the customer.

Historically, the Closeout Stores total advertising expense as a percent of total net sales has been approximately 3.0%.

TOY STORES

Kay-Bee Toys stores use a combination of a holiday promotion catalog as well as periodic in-store sales and store signs to promote their products. Advertising costs were 2.0% of total net sales in 1996. Kay-Bee Toys stores re-

ceive the benefit of large amounts of customer traffic in enclosed shopping malls. Similarly, KB Toy Works and KB Outlet stores have relied primarily on existing customer traffic and in-store signs to promote their products.

WAREHOUSING and DISTRIBUTION

An important aspect of the Company's purchasing strategy involves its ability to warehouse and distribute merchandise quickly and efficiently. The Company's primary 3,558,000 square foot owned warehouse/distribution center is located in Columbus, Ohio and utilizes two high-speed tilt tray sortation systems with a combined output of approximately 1,225,000 cartons per week. These systems include a fully automated warehouse management system that incorporates high-speed bar code scanning to efficiently sort and load high merchandise volumes for immediate store delivery. Another important part of the Company's closeout purchasing strategy is its ability to buy large quantities of merchandise off-season at low prices. As a result, the Company must warehouse the merchandise until the appropriate season and therefore maintains higher inventories than most conventional retailers. The Company's primary warehouse/distribution center has approximately 200,000 pallet positions for the warehousing of merchandise.

At February 1, 1997 total warehouse space utilized by the Closeout Stores is approximately 3,294,000 square feet comprised of a shared portion of the primary warehouse/distribution center and two leased facilities; one in Ohio and one in Georgia. Typically, a Closeout Store receives additional inventory once a week (usually within 24 hours of dispatch) via a dedicated trucking fleet and outside transportation companies. Substantially all the closeout merchandise sold by the Closeout Stores is received at the primary warehouse/distribution center and is processed for retail sale, as necessary, and distributed to the retail location or wholesale customer.

For its Toy Stores as of February 1, 1997, the Company has six warehouse/distribution centers, including a shared portion of the primary warehouse/distribution center, located in Alabama, Arizona, Kentucky, Massachusetts, Ohio, and Pennsylvania, totaling approximately 2,101,000 square feet. These warehouse/distribution centers use automated warehouse management systems that include bar code scanning and radio frequency technology to allow for high accuracy and efficient product processing from vendors to retail stores. The combined shipping capacity of these warehouse/distribution centers is approximately 180,000 cartons per week.

In addition to these locations, the Company leases additional temporary space at locations near the warehouse/distribution centers to store its expanded inventory.

In January 1997, the Company announced it had entered into a purchase agreement to acquire a 665,000 square foot distribution and warehouse facility located in Alabama. The transaction is expected to be completed in the summer of 1997 with operations of the facility commencing early in 1998. In February 1997, the Company acquired a 360,000 square foot distribution facility located in New Jersey.

Statistics, exclusive of commitments for future warehouse/distribution centers, by type and locations is as follows:

State	Number Owned	Number Leased	Square Footage Owned	Square Footage Leased
			(In thousands)	
Alabama	--	1	--	279
Arizona	1	--	300	--
Georgia	--	1	--	250
Kentucky	--	1	--	300
Massachusetts	1	--	254	--
Ohio	1	4	3,558	1,314
Pennsylvania	--	1	--	147
	3	8	4,112	2,290

INFORMATION SYSTEMS

Over the last five fiscal years the Company has continued to enhance its information systems to support growth and the operations of its business. The Company's current systems incorporate fully integrated distribution, allocation, purchase order management, open-to-buy, point of sale and finance functions and represent a combination of externally purchased software packages as well as internally developed software. Current systems enable the Company to take advantage of operating efficiencies resulting from bar-code scanning and automated allocation.

The Company will continue to roll out its next generation of inventory management systems for its Closeout Stores. Upon completion, the new system will provide a number of features that the Company believes will improve inventory turns, decrease markdowns and lower operating expenses. These features include the ability to manage inventories on a micro-SKU basis as compared to its previous macro-SKU based system. Additionally, the new system will incorporate current inventory ownership by SKU by store when allocating merchandise, whereas the existing system allocates inventory based on sales potential without the benefit of store-owned inventory data. The Company has planned a multi-phased roll out for this system, allowing for thorough testing and review prior to start up.

OTHER OPERATIONS

The Company also sells merchandise wholesale from its corporate office in Columbus, Ohio. The inventory consists almost entirely of merchandise obtained through the same or shared opportunistic purchases of the retail operation. Advertising of wholesale merchandise is conducted primarily at trade shows and by mailings to past and potential customers. Wholesale customers include a wide and varied range of major national and regional retailers, as well as smaller retailers, manufacturers, distributors and wholesalers.

ASSOCIATES

At February 1, 1997, the Company had approximately 38,000 active associates comprised of 12,600 full-time and 25,400 part-time associates. Temporary associates hired during the fall/winter holiday selling season increased the number of associates to a peak of approximately 56,500. Approximately two-thirds of the associates employed throughout the year are employed on a part-time basis. The relationship with associates is considered to be good, and the Company is not a party to any labor agreements.

COMPETITIVE CONDITIONS

The retail industry is highly competitive. The Company's Closeout Stores compete with discount stores (such as Wal-Mart(R), KMart(R) and Target(R)), deep discount drugstore chains and other value-oriented specialty retailers. The Company's Toy Stores compete directly with local and regional enclosed shopping mall-based toy retailers, destination toy stores (such as Toys "R" Us(R)) and discount retailers with toy departments and indirectly with enclosed shopping mall-based retailers such as concept stores and theme-based stores that feature toys or toy-related merchandise. Certain of the Company's competitors have greater financial, distribution, marketing and other resources than the Company.

ITEM 2 PROPERTIES

RETAIL OPERATIONS

All stores are in leased facilities. Store leases generally provide for fixed monthly rental payments plus the payment, in most cases, of real estate taxes, utilities, insurance and maintenance. Toy Store leases generally include mall advertising charges. In some locations, the leases provide formulas requiring the payment of a percentage of sales as additional rent. Such payments are generally only required when sales reach a specified level. The typical lease for the Company's closeout stores is for an initial term of three to five years with multiple, three to five year renewal options, while the typical lease for the Toy Stores is for an initial term of 10 years with various renewal options. The following tables set forth store lease expiration and state location information for existing store leases at February 1, 1997.

	Number of Leases Expiring			Number of Leases Expiring Without Renewal Options		
Fiscal Year	Closeout	Toy	Total	Closeout	Toy	Total
1997	96	181	277	29	90	119
1998	83	168	251	15	152	167
1999	127	179	306	28	147	175
2000	132	135	267	23	114	137
2001	115	140	255	19	111	130
2002 and beyond	61	381	442	12	276	288
	614	1,184	1,798	126	890	1,016

	Number of Stores Open					
	Closeout	Toy	Total	Closeout	Toy	Total
Alabama	22	17	39	Nebraska	1	8	9
Alaska	--	4	4	Nevada	--	6	6
Arizona	--	18	18	New Hampshire	--	8	8
Arkansas	--	8	8	New Jersey	--	37	37
California	--	112	112	New Mexico	--	8	8
Colorado	--	17	17	New York	15	84	99
Connecticut	--	31	31	North Carolina	30	32	62
Delaware	--	5	5	North Dakota	--	4	4
Florida	59	62	121	Ohio	108	52	160
Georgia	37	29	66	Oklahoma	8	12	20
Hawaii	--	8	8	Oregon	--	9	9
Idaho	--	6	6	Pennsylvania	22	65	87
Illinois	20	42	62	Puerto Rico	--	15	15
Indiana	38	32	70	Rhode Island	--	4	4
Iowa	1	11	12	South Carolina	21	17	38
Kansas	7	7	14	South Dakota	--	2	2
Kentucky	33	15	48	Tennessee	37	27	64
Louisiana	11	17	28	Texas	21	73	94
Maine	--	7	7	Utah	--	8	8
Maryland	3	36	39	Vermont	--	3	3
Massachusetts	--	39	39	Virginia	26	41	67
Michigan	35	41	76	Washington	--	25	25
Minnesota	--	12	12	West Virginia	22	10	32
Mississippi	11	7	18	Wisconsin	10	22	32
Missouri	16	23	39	Wyoming	--	3	3
Montana	--	3	3				

	Closeout	Toy	Total
Total Stores	614	1,184	1,798
Number of states and Puerto Rico	25	51	

WAREHOUSE and DISTRIBUTION

See Warehousing and Distribution in Item I above.

CORPORATE

Approximately 150,000 square feet located on site of the Company's primary warehouse/distribution facility in Columbus, Ohio is utilized for corporate offices and business offices of the Closeout Stores and wholesale operations. Toy Store executive offices occupy 140,000 square feet of leased space in Pittsfield, Massachusetts.

ITEM 3 LEGAL PROCEEDINGS

The Company is party to various legal proceedings arising from its ordinary course of operations and believes that the outcome of these proceedings, individually and in the aggregate, will be immaterial.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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

EXECUTIVE OFFICERS OF THE COMPANY

Name	Age	Offices Held	Officer Since
William G. Kelley	51	Chairman of the Board and Chief Executive Officer	1990
Michael L. Glazer	49	President	1995
Albert J. Bell	37	Sr. Vice President, Legal, Real Estate, Secretary and General Counsel	1988
Charles Freidenberg	51	Sr. Vice President - Merchandising	1995
C. Matthew Hunnell	34	Sr. Vice President - Merchandising	1995
Michael J. Potter	35	Sr. Vice President and Chief Financial Officer	1991
James A. McGrady	46	Vice President and Treasurer	1991
Mark D. Shapiro	37	Vice President and Controller	1994

William G. Kelley is a Director of the Company and has served in his present capacity as Chairman of the Board and Chief Executive Officer since 1990. Mr. Kelley is also a director of National City Bank, Columbus.

Michael L. Glazer has served on the Company's Board of Directors since 1991 and previous to his appointment as President of the Company in 1995 he held positions as Executive Vice President and President of The Bombay Company, a home furnishings retailer.

Albert J. Bell has served as the Company's general counsel for over five years and has been employed by the Company since 1987.

Charles Freidenberg has been with the Company since 1983 and has held senior management positions in the merchandising area for the past five years.

C. Matthew Hunnell has been with the Company since 1983 and has held senior management positions in the merchandising area for the past five years.

Michael J. Potter has been with the Company since 1991 and previous to his appointment as Sr. Vice President and Chief Financial Officer in 1994 Mr. Potter was Vice President and Controller for the Company.

James A. McGrady has been with the Company since 1986 and previous to his appointment as Vice President and Treasurer in 1991 he was Assistant Controller.

Mark D. Shapiro has been with the Company since 1992 and prior to his appointment as Vice President and Controller served as Assistant Controller.

PART II

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is listed on the New York Stock Exchange (NYSE) under the symbol "CNS." The following table reflects the high and low sales price per share of common stock as quoted from the NYSE composite transactions for the fiscal period indicated. Prices have been restated to reflect a 5 for 4 common stock split effected by a distribution of shares on December 24, 1996, to stockholders of record on December 10, 1996.

	1996		1995	
	High	Low	High	Low
First Quarter	$29 45/64	$16 19/32	$16 45/64	$13
Second Quarter	32 13/32	24	18 13/32	12 19/32
Third Quarter	35 13/32	26 19/64	20 3/32	16 29/32
Fourth Quarter	34 13/64	28 45/64	20 1/2	15 1/2

As of April 3, 1997, there were 1,233 holders of record of the Company's common stock.

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

ITEM 6 SELECTED FINANCIAL DATA

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

SELECTED FINANCIAL DATA

	Fiscal Year Ended					
	February 1, 1997	February 3, 1996*	January 28, 1995	January 29, 1994	January 30, 1993	February 1, 1992
	($ In thousands except earnings per share)					
Net sales:						
Closeout Stores	$1,431,873	$1,286,675	$1,112,087	$941,471	$837,805	$744,896
Toy Stores	1,178,224	76,689	45,937	--	--	--
Total Retail	2,610,097	1,363,364	1,158,024	941,471	837,805	744,896
Other	37,419	42,652	27,030	21,537	18,489	18,916
	2,647,516	1,406,016	1,185,054	963,008	856,294	763,812
Cost of sales:						
Closeout Stores	826,478	738,675	638,533	531,605	479,536	441,351
Toy Stores	687,413	40,598	22,467	--	--	--
Total Retail	1,513,891	779,273	661,000	531,605	479,536	441,351
Other	28,610	32,281	20,163	16,358	13,895	14,047
	1,542,501	811,554	681,163	547,963	493,431	455,398
Gross profit	1,105,015	594,462	503,891	415,045	362,863	308,414
Selling and administrative expenses	908,468	475,798	402,411	337,363	300,569	270,921
Operating profit	196,547	118,664	101,480	77,682	62,294	37,493
Other (expense) - net	(16,689)	(7,313)	(5,114)	(3,106)	(3,398)	(5,660)
Income from continuing operations before income taxes and extraordinary charge	179,858	111,351	96,366	74,576	58,896	31,833
Income taxes	66,547	41,218	38,546	29,833	22,630	12,096
Income from continuing operations before extraordinary charge	113,311	70,133	57,820	44,743	36,266	19,737
(Loss) income from discontinued operations	(27,538)	(5,727)	(2,600)	(1,716)	844	361
Extraordinary charge	(1,856)	--	--	--	--	--
Net income	$ 83,917	$ 64,406	$ 55,220	$ 43,027	$ 37,110	$ 20,098
Income (loss) per common and common equivalent share of stock:						
Continuing operations	$ 1.69	$ 1.15	$ 0.96	0.75	$ 0.61	$ 0.34
Discontinued operations	(0.41)	(0.09)	(0.04)	(0.03)	0.01	0.01
Extraordinary charge	(0.03)	--	--	--	--	--
	$ 1.25	$ 1.06	$ 0.92	$ 0.72	$ 0.62	$ 0.35
Weighted average common and common equivalent shares outstanding (In thousands)	67,233	61,129	60,096	59,970	59,595	57,246

* Fiscal 1995 is comprised of 53 weeks.

SELECTED FINANCIAL DATA - continued

	Fiscal Year Ended					
	February 1, 1997	February 3, 1996*	January 28, 1995	January 29, 1994	January 30, 1993	February 1, 1992
	($ In thousands except earnings per share)					
BALANCE SHEET DATA:						
Working capital	$ 469,290	$ 253,858	$ 210,601	$174,529	$142,305	$120,275
Total assets	$ 1,330,503	$ 639,815	$ 551,620	$468,220	$390,942	$329,321
Long-term obligations	$ 151,292	$ 25,000	$ 40,000	$ 50,000	$ 50,000	$ 50,000
Stockholders' equity	$ 682,085	$ 389,564	$ 315,234	$258,535	$209,459	$170,520
STORE OPERATING DATA:						
Year end gross square footage (000's):						
Closeout Stores	17,072	15,072	13,607	11,981	10,545	9,878
Toy Stores	5,267	552	401	--	--	--
New stores opened:						
Closeout Stores	85	67	79	71	47	37
Toy Stores	(1)1,095	30	82	--	--	--
	1,180	97	161	71	47	37
Stores closed:						
Closeout Stores	12	14	23	20	24	16
Toy Stores	22	1	--	--	--	--
	34	15	23	20	24	16
Stores open at end of year:						
Closeout Stores	614	541	488	432	381	358
Toy Stores	1,184	111	82	--	--	--
	1,798	652	570	432	381	358

(1) Includes 1,042 Kay-Bee toy acquired May 5, 1996.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

When used in this discussion and the financial statements that follow, the words, "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. The Company undertakes no obligation to republish revised forward-looking statements to reflect the occurrence of unanticipated events. 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 the following Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report, as well as, the Company's periodic reports on Forms 10-Q and 8-K filed with the Securities and Exchange Commission.

OVERVIEW

The Company is the nation's largest closeout retailer with 1,798 stores located in all 50 states and Puerto Rico. The Company operates 614 retail closeout stores under the names Odd Lots and Big Lots (Closeout Stores) in the midwestern, southern and mid-Atlantic regions of the United States, and 1,184 retail toy and closeout toy stores throughout the United States and Puerto Rico, primarily under the names Kay-Bee Toys, KB Toy Works, and KB Toy Outlet (Toy Stores). The Company believes that Kay-Bee is the largest enclosed shopping mall-based toy retailer in the United States. 1,042 of the Toy Stores were acquired as of May 5, 1996 in the acquisition of Kay-Bee Center, Inc. from Melville Corporation. As a value retailer focused on closeout merchandise, the Company seeks to provide the budget-conscious consumer with a broad range of quality, name-brand products at exceptional values. The Company's name-brand closeout merchandise primarily consists of products obtained from manufacturers' excess inventories, which generally result from production overruns, package changes, discontinued products and returns.

In the fourth quarter of 1996 the Company adopted a plan to close its single price point and small specialty stores operating under the names of All For One and iTZADEAL!. Closures of the 165 stores open at February 1, 1997, are anticipated to be completed throughout fiscal 1997. Accordingly, the operating results for this business are reported as a discontinued operation at February 1, 1997, and prior years operating results have been restated to reflect continuing operations.

The following table compares components of the statements of earnings of Consolidated Stores as a percent to net sales.

	Fiscal Year		
	1996	1995	1994
Net sales:			
Closeout Stores	54.1%	91.5%	93.8%
Toy Stores	44.5	5.5	3.9
Total Retail	98.6	97.0	97.7
Other	1.4	3.0	2.3
Total net sales	100.0	100.0	100.0
Gross Profit:			
Closeout Stores	42.3	42.6	42.6
Toy Stores	41.7	47.1	51.1
Total Retail	42.0	42.8	42.9
Other	23.5	24.3	25.4
Total Gross Profit	41.7	42.3	42.5
Selling and administrative expenses	34.3	33.8	34.0
Operating profit	7.4	8.5	8.5
Interest expense	0.6	0.4	0.5
Other expense (income)	--	0.1	(0.1)
Income from continuing operations before income taxes and extraordinary charge	6.8	8.0	8.1
Income taxes	2.5	2.9	3.2
Income from continuing operations before extraordinary charge	4.3	5.1	4.9
Loss from discontinued operations	(1.0)	(0.4)	(0.2)
Extraordinary charge	(0.1)	--	--
Net income	3.2%	4.7%	4.7%

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 illustrates the seasonality in the net sales and operating income.

	Quarter			
	First	Second	Third	Fourth
FISCAL 1996(1)				
Percent net sales of full year	12.1%	20.1%	22.6%	45.2%
Operating income (loss) percentage of full year	5.3	(0.2)	3.4	91.5
FISCAL 1995				
Percent net sales of full year	19.3%	21.5%	23.7%	35.5%
Operating income percentage of full year	6.7	15.2	18.1	60.0

(1) Reflects acquisition of KAY-Bee Toys at the beginning of the second quarter.

FISCAL 1996 COMPARED TO FISCAL 1995

NET SALES Net sales increased to $2,647.5 million in fiscal 1996 from $1,406.0 million in fiscal 1995, an increase of $1,241.5 million, or 88.3%. This increase was attributable to Kay-Bee Toy net sales of $1,037.2 million, sales from 138 new stores and comparable store sales increases of 7.7%, offset in part by the closing of 34 stores. In addition, fiscal 1995 was a 53-week fiscal year, compared to fiscal 1996 which had 52 weeks.

Closeout Stores net sales increased $145.2 million, or 11.3%, to $1,431.9 million in fiscal 1996 from $1,286.7 million in fiscal 1995. Net sales of Toy Stores increased $1,101.5 million, principally as a result of the acquisition of the toy stores discussed above.

GROSS PROFIT Gross profit increased to $1,105.0 million in fiscal 1996 from $594.5 million in fiscal 1995, an increase of $510.5 million, or 85.9%. As a percentage of net sales, gross profit decreased to 41.7% in fiscal 1996 from 42.3% in fiscal 1995. Closeout Stores gross profit was 42.3% in 1996 compared to 42.6% in 1995. Toy Stores gross profit was 41.7% in 1996 compared to 47.1% in 1995. The decline in Toy Stores gross profit is principally attributable to the higher percentage of lower margin in-line toys in the Kay-Bee merchandise mix compared to the primarily closeout selection offered by the Toy Stores in prior years. The Company anticipates gradually increasing the mix of closeout toys offered in its Kay-Bee Toy stores throughout fiscal 1997.

SELLING AND ADMINISTRATIVE EXPENSES Selling and administrative expenses increased to $908.5 million in fiscal 1996 from $475.8 million in fiscal 1995, an increase of $432.7 million, or 90.9%. This increase is attributable to the acquisition of the Kay-Bee Toy Stores. As a percentage of net sales, selling and administrative expenses increased slightly to 34.3% in fiscal 1996 from 33.8% in fiscal 1995. Historically the Kay-Bee Toy stores cost structure has resulted in a higher percentage ratio of selling and administrative expenses to net sales.

INTEREST EXPENSE Interest expense increased to $16.8 million in fiscal 1996 from $5.6 million in fiscal 1995. The increase was attributable to higher weighted average debt levels principally to support requirements associated with the operations of the increased number of Toy Stores, increased effective interest rates on seasonal borrowings throughout the fiscal year, and debt associated with the issuance of $100 million of subordinated debentures related to the acquisition of Kay-Bee Center, Inc. The increase in the effective interest rate was offset to some extent by the early extinguishment of $35 million of senior debt.

INCOME TAXES The effective tax rate of the Company was 37.0% in fiscal 1996 and 1995. The Company surrendered its corporate-owned life insurance program in 1996 and will not realize future tax benefits therefrom in the future.

FISCAL 1995 COMPARED TO FISCAL 1994

NET SALES Net sales increased to $1,406.0 million in fiscal 1995 from $1,185.1 million in fiscal 1994, an increase of $220.9 million, or 18.6%. This increase was attributable to net sales of $109.1 million from 97 new stores and comparable store sales increases of 5.3%, offset in part by the closing of 15 stores. The increase in comparable store sales was attributable to improved product offerings and merchandise mix as well as a continued refinement and expansion of the Company's television advertising program, which was introduced in the fall of 1994. Comparable store sales were negatively impacted during the fall/winter holiday selling season by abnormally inclement weather in many of the Company's markets. In addition, fiscal 1995 was a 53-week fiscal year, compared to fiscal 1994 which had 52 weeks.

Net sales of The Closeout Stores increased $174.6 million, or 15.7%, to $1,286.7 million in fiscal 1995 from $1,112.1 million in fiscal 1994. Toy Stores net sales increased $30.8 million, or 67.1%, to $76.7 million in fiscal

1995 from $45.9 million in fiscal 1994. This increase was largely attributable to a full year of operations of the Toy Stores acquired in May 1994, as well as net sales of $11.3 million from 30 new Toy Stores.

GROSS PROFIT Gross profit increased to $594.5 million in fiscal 1995 from $503.9 million in fiscal 1994, an increase of $90.6 million, or 18.0%. As a percentage of net sales, gross profit decreased to 42.3% in fiscal 1995 from 42.5% in fiscal 1994. The decrease in gross margin was attributable to decreases in gross margin of the Toy Stores. Gross margin at the Toy Stores was high in fiscal 1994 due to the advantageous terms under which the Company purchased the inventory in May 1994. Gross margin for the Closeout Stores remained constant in fiscal 1995 compared to fiscal 1994.

SELLING AND ADMINISTRATIVE EXPENSES Selling and administrative expenses increased to $475.8 million in fiscal 1995 from $402.4 million in fiscal 1994, an increase of $73.4 million, or 18.2%. As a percentage of net sales, selling and administrative expenses decreased slightly to 33.8% in fiscal 1995 from 34.0% in fiscal 1994 as a result of the continued leveraging of fixed expenses over a larger store base and comparable store sales increases.

INTEREST EXPENSE The slight decrease was attributable to higher weighted average debt levels, resulting in part from increased seasonal borrowings to support higher average inventory levels, and increased effective interest rates on seasonal borrowings throughout the fiscal year, offset by scheduled principal payments of $15.0 million on the senior debt.

INCOME TAXES The effective tax rate of the Company was 37.0% in fiscal 1995 compared to 40.0% in fiscal 1994. The reduction in the effective tax rate was attributable to the full fiscal year effect of corporate-owned life insurance, which was adopted in November 1994, as well as lower effective state and local income tax rates. This reduction was partially offset by the federally legislated elimination of the Targeted Jobs Tax Credit ("TJTC").

CAPITAL RESOURCES AND LIQUIDITY

The primary sources of liquidity for the Company have been cash flow from operations and borrowings under available credit facilities. Total debt as a percent of total capitalization (total debt and stockholders equity) was 20.8% at February 1, 1997, compared with 8.2% and 13.7% at each of the respective prior fiscal year ends. Working capital increased from $210.6 million at the end of fiscal 1994 to $469.3 million at the end of fiscal 1996. Capital expenditures for the last three fiscal years were $93.6 million, $48.1 million and $41.6 million, respectively, and were used primarily to fund new store openings and distribution center expansions.

Concurrent with the acquisition of Kay-Bee Center, Inc. the Company terminated its existing revolving credit agreement and entered into a Revolving Credit Facility dated May 3, 1996, as amended June 28, 1996, with a syndicate of financial institutions to provide senior bank financing in an aggregate principal amount of up to $600 million. The Revolving Credit Facility consists of a revolving loan facility (the "Revolver") with the amount available thereunder equal to $450 million and a letter of credit facility with up to $200 million available for the issuance of documentary and standby letters of credit. The facility has a maturity date of May 3, 1999. At May 4, 1996, the Company borrowed $320 million under the Revolver to finance the acquisition of Kay-Bee Center, Inc. and repay certain existing indebtedness under the prior revolving credit agreement and senior notes.

Additionally, from time-to-time the Company utilizes uncommitted credit facilities, subject to the terms of the Revolving Credit Facility, to supplement short-term borrowing requirements. At February 1, 1997, approximately $382 million was available for direct borrowings under the Revolver and $70 million of uncommitted credit facilities were available, subject to the terms of the revolving credit facility.

In connection with the acquisition of Kay-Bee Center, Inc. the Company issued $100 million of Subordinated Notes. The Subordinated Notes mature in the year 2000 and bear interest at a rate of 7% per annum, payable semiannually. The Subordinated Notes are redeemable at the option of the Company, in whole or in part, after two years from their issuance, at a premium to their principal, plus accrued interest.

In the second quarter of 1996 the Company completed an offering of 6,406,250 shares of common stock, including a underwriters' over-allotment of 156,250 shares. Net proceeds to the Company of approximately $190.6 million were utilized to repay a portion of the borrowings incurred to finance the acquisition of Kay-Bee Center, Inc.

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

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Consolidated Stores Corporation:

We have audited the accompanying consolidated balance sheets of CONSOLIDATED STORES CORPORATION and subsidiaries as of February 1, 1997, and February 3, 1996, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three fiscal years in the period ended February 1, 1997. Our audits also included the financial statement schedule listed in the Index at Item 14(a)2. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of CONSOLIDATED STORES CORPORATION and subsidiaries at February 1, 1997, and February 3, 1996, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended February 1, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Deloitte & Touche LLP

Dayton, Ohio
February 24, 1997

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

	Fiscal Year		
	1996	1995	1994
Net sales	$2,647,516	$1,406,016	$1,185,054
Costs and expenses:			
Cost of sales	1,542,501	811,554	681,163
Selling and administrative expenses	908,468	475,798	402,411
Interest expense	16,759	5,607	5,646
Other expense (income) - net	(70)	1,706	(532)
	2,467,658	1,294,665	1,088,688
Income from continuing operations before income taxes and extraordinary charge	179,858	111,351	96,366
Income taxes	66,547	41,218	38,546
Income from continuing operations before extraordinary charge	113,311	70,133	57,820
Loss from discontinued operations	(27,538)	(5,727)	(2,600)
Extraordinary charge	(1,856)	--	--
Net income	$ 83,917	$ 64,406	$ 55,220
Income (loss) per common and common equivalent share of stock:			
Continuing operations	$ 1.69	$ 1.15	$ 0.96
Discontinued operations	(0.41)	(0.09)	(0.04)
Extraordinary charge	(0.03)	--	--
	$ 1.25	$ 1.06	$ 0.92

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

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	February 1, 1997	February 3, 1996
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 30,044	$ 12,999
Accounts receivable	9,342	8,957
Inventories	792,665	388,346
Prepaid expenses	35,820	18,265
Deferred income taxes	58,647	23,449
Total current assets	926,518	452,016
Property and equipment - net	380,095	177,323
Other assets	23,890	10,476
	$1,330,503	$639,815
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 295,701	$129,223
Accrued liabilities	68,590	41,519
Income taxes	65,045	17,416
Current maturities of long-term obligations	27,892	10,000
Total current liabilities	457,228	198,158
Long-term obligations	151,292	25,000
Deferred income taxes	36,996	19,879
Other noncurrent liabilities	2,902	7,214
Commitments and contingencies	--	--
Stockholders' equity:		
Preferred stock - authorized 2,000,000 shares, $.01 par value: none issued	--	--
Common stock - authorized 90,000,000 shares, $.01 par value; issued 66,958,488 shares and 59,719,948 shares, respectively	670	478
Nonvoting common stock - authorized 8,000,000 shares, $.01 par value; none issued	--	--
Additional paid-in capital	312,879	104,511
Retained earnings	369,022	285,105
Other adjustments	(486)	(530)
Total stockholders' equity	682,085	389,564
	$1,330,503	$639,815

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

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Fiscal Year 1996	1995	1994
Common stock:			
Balance at beginning of year	$ 478	$ 469	$ 465
Issuance of common stock	51	--	--
5 for 4 stock split	134	--	--
Contribution to savings plan	1	1	1
Exercise of stock options and issue of restricted stock	6	8	3
Balance at end of year	$ 670	$ 478	$ 469
Additional paid-in capital:			
Balance at beginning of year	$104,511	$ 93,872	$ 89,817
Issuance of common stock	190,588	--	--
5 for 4 stock split	(134)	--	--
Exercise of stock options and issue of restricted stock	15,733	9,243	2,655
Contribution to savings plan	2,181	1,396	1,400
Balance at end of year	$312,879	$104,511	$ 93,872
Retained earnings:			
Balance at beginning of year	$285,105	$220,699	$165,479
Net income for the year	83,917	64,406	55,220
Balance at end of year	$369,022	$285,105	$220,699
Other adjustments:			
Balance at beginning of year	$ (530)	$ 194	$ 2,774
Change in unrealized investment gain	(1,436)	296	(3,048)
Minimum pension liability adjustment	1,480	(1,020)	468
Balance at end of year	$ (486)	(530)	$ 194

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

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

	Fiscal Year		
	1996	1995	1994
Operating Activities			
Net income	$ 83,917	$ 64,406	$ 55,220
Adjustments to reconcile net income to net cash provided by operating activities:			
Discontinued operations	18,900	--	--
Depreciation and amortization	48,375	30,021	26,477
Deferred income taxes	(18,081)	(1,018)	256
Other	12,735	2,373	3,398
Change in assets and liabilities	(76,365)	(66,427)	(25,693)
Net cash provided by operating activities	69,481	29,355	59,658
Investing Activities			
Payment for acquired business	(185,300)	--	--
Capital expenditures	(93,614)	(48,091)	(41,558)
Investment in corporate owned life insurance	--	(6,870)	(4,781)
Other	8,983	6,476	(1,973)
Net cash used in investment activities	(269,931)	(48,485)	(48,312)
Financing Activities			
Proceeds from issuance of common stock	190,639	--	--
Proceeds from credit agreements, net	67,600	--	--
Payments of senior notes and long-term obligations	(35,237)	(15,000)	--
Debt issue payments	(10,393)	--	--
Extinguishment of debt	(2,946)	--	--
Proceeds from exercise of stock options	4,116	5,028	1,030
Increase in deferred credits	3,716	1,745	3,107
Net cash provided by (used in) financing activities	217,495	(8,227)	4,137
Increase (decrease) in cash and cash equivalents	$ 17,045	$ (27,357)	$ 15,483

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

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Company is the nation's largest closeout retailer with stores located in all 50 states and Puerto Rico. As a value retailer specializing in close-out merchandise and toys the Company operates 614 retail closeout specialty stores offering name-brand merchandise at substantial discounts to traditional retail prices under the names ODD LOTS and BIG LOTS in the midwestern, southern, southwestern, and mid-Atlantic regions of the United States. Additionally, 1,184 retail toy and close-out toy stores were in operation throughout the United States and Puerto Rico under the names KAY-BEE TOYS, KB TOY WORKS, and KB TOY OUTLET. The Company believes that KAY-BEE is the largest enclosed mall-based toy retailer in the United States.

Fiscal Year

The Company follows the concept of a 52/53 week fiscal year which ends on the Saturday nearest to January 31. Fiscal year 1995 ending February 3, 1996, is comprised of 53 weeks.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect reported amounts of assets and liabilities and disclosure of significant contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Inventories

Retail inventories are stated at the lower of cost or market primarily on the retail method. Other inventories are stated at the lower of cost (first-in, first-out method) or market.

Depreciation and Amortization

Depreciation and amortization are provided on the straight line method for financial reporting purposes. Service lives are principally forty years for buildings and from four to ten years for other property and equipment.

Investments

Noncurrent investments in equity securities are classified as Other assets in the consolidated balance sheets and are stated at fair value. Unrealized gains on equity securities classified as available-for-sale are recorded as a separate component of stockholders' equity net of applicable income taxes. The Company's investment in corporate owned life insurance is recorded net of policy loans as Other assets.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Deferred Credits

Deferred credits associated with purchase commitments are classified as other noncurrent liabilities and are recognized when earned as a reduction of the related inventory purchase cost.

Pre-opening Costs

Non-capital expenditures associated with opening new stores are charged to expense over the first twelve months of store operations.

ACQUISITION

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

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

(In thousands, except per share data)	1996	1995
	Unaudited	
Net sales	$2,823,907	$2,491,438
Income from continuing operations before extraordinary charge	$ 96,392	$ 32,539
Net income	$ 66,998	$ 26,810
Income per common and common equivalent share of stock:		
Continuing operations	$ 1.39	$ 0.48
Net income	$ 0.97	$ 0.40

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

DISCONTINUED OPERATIONS

In the fourth quarter of 1996 the Company adopted a plan to close its single price point and small specialty stores operating under the names of All For One and iTZADEAL!. Closures of the 165 stores open at February 1, 1997, are anticipated to be completed throughout fiscal 1997. Accordingly, the operating results for this business are reported as a discontinued operation at February 1, 1997, and prior years operating results have been restated to reflect continuing operations. Summary operating results and financial information of this discontinued operation are as follows:

	Fiscal Year		
(In thousands)	1996	1995	1994
Net sales	$ 84,253	$ 106,283	$ 93,590
Gross profit	$ 38,134	$ 49,698	$ 46,259
Loss before income taxes	$ (13,710)	$ (9,091)	$ (4,333)
Income tax benefit	5,072	3,364	1,733
	(8,638)	(5,727)	(2,600)
Loss on store closures, net of tax	(18,900)	--	--
	$ (27,538)	$ (5,727)	$ (2,600)

INVENTORIES

Inventories are comprised of the following:

(In thousands)	1996	1995
Retail	$770,858	$368,569
Other	21,807	19,777
	$792,665	$388,346

INCOME TAXES

The provision for income taxes on continuing operations is comprised of the following:

	Fiscal Year		
(In thousands)	1996	1995	1994
Federal - Currently payable	$ 64,316	$ 35,441	$ 33,012
Deferred	(7,018)	(754)	(1,685)
State and Local	8,126	6,531	7,219
Foreign	1,123	--	--
	$ 66,547	$ 41,218	$ 38,546

INCOME TAXES - continued

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

	Fiscal Year		
(In thousands)	1996	1995	1994
Statutory Federal income tax rate	35.0%	35.0%	35.0%
Effect of:			
State and local income taxes	2.9	3.8	4.9
Work Opportunity and Targeted jobs tax credit	(0.1)	(0.2)	(1.1)
Corporate owned life insurance investments	(1.0)	(2.2)	(0.5)
Other	0.2	0.6	1.7
Effective tax rate	37.0%	37.0%	40.0%

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

(In thousands)	1996	1995
Deferred tax assets:		
Uniform inventory capitalization	$16,230	$ 8,186
Discontinued operations	11,458	802
Inventory valuation allowance	9,061	2,309
Deferred credits	1,596	1,293
Other (each less than 5% of total assets)	20,302	10,859
Total deferred tax assets	58,647	23,449
Deferred tax liabilities:		
Depreciation	19,731	15,144
Unrealized gain	--	880
Other	17,265	3,855
Total deferred tax liabilities	36,996	19,879
Net deferred tax assets	$21,651	$ 3,570

Net income taxes paid were $19,053,000, $35,158,000, and $29,613,000 in 1996, 1995, and 1994, respectively.

LONG-TERM OBLIGATIONS

Long-term debt was comprised of the following on the dates indicated:

(In thousands)	1996	1995
Credit Agreements	$ 67,600	$ --
7% Subordinated Notes	100,000	--
10.5% Senior Notes	--	35,000
9.25% Mortgage Note	7,880	--
Capital leases	3,704	--
	179,184	35,000
Less current portion	27,892	10,000
	$151,292	$25,000

Annual maturities of long-term debt for the next five fiscal years are: 1997, $27,892,000; 1998, $321,000; 1999, $352,000; 2000, $40,387,000 and 2001, $100,425,000.

Interest paid, including capitalized interest of $229,000, $147,000 and $788,000 in each of the respective previous three fiscal years, was $16,857,000 in 1996, $10,705,000 for 1995, and $8,110,000 in 1994.

CREDIT AGREEMENTS

Concurrent with the acquisition of KAY-BEE the Company terminated its then existing revolving credit agreement and entered into a Revolving Credit Facility dated May 3, 1996, as amended June 28, 1996, with a syndicate of financial institutions to provide unsecured senior bank financing in an aggregate principal amount of up to $600 million. The Revolving Credit Facility consists of a revolving loan facility (the "Revolver") with the amount available thereunder equal to $450 million and a letter of credit facility with up to $200 million available for the issuance of documentary and standby letters of credit. The facility has a maturity date of May 3, 1999, and requires the maintenance of certain standard financial ratios and prohibits the payment of cash dividends. At February 1, 1997, approximately $382,000,000 was available for direct borrowings under the Revolving Credit Facility. The Company was contingently liable for outstanding letters of credit and related debt instruments totaling $88,000,000 at February 1, 1997. Direct borrowings under the Revolver at February 1, 1997, were at a rate of 6.0% to 6.4% and there were no direct borrowings outstanding pursuant to any credit agreements at February 3, 1996.

Additionally, $70,000,000 of uncommitted short-term credit facilities are available, subject to provisions of the revolving credit agreement, at February 1, 1997. No borrowings were outstanding under uncommitted credit facilities at February 1, 1997, or February 3, 1996.

SUBORDINATED NOTES

In connection with the acquisition of KAY-BEE the Company issued $100,000,000 of Subordinated Notes. The Subordinated Notes mature in the year 2000 and bear interest at a rate of 7% per annum, payable semiannually. The Subordinated Notes are redeemable, subject to provisions of the Revolving Credit Agreement, at the option of the Company, in whole or in part, after two years from their issuance, at a premium to their principal, plus accrued interest. Provisions of the Subordinated Notes provide, among other matters, limitations on; additional indebtedness, payments of certain indebtedness, and asset sales. The estimated fair value at February 1, 1997, was $97,523,000 and the related carrying amount was $100,000,000.

LONG-TERM OBLIGATIONS - continued

EXTRAORDINARY CHARGE

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

COMMITMENTS

The Company has commitments to certain vendors for future inventory purchases totaling approximately $71,915,000 at February 1, 1997. Terms of the commitments provide for these inventory purchases to be made through fiscal 1998 or later as may be extended. There are no annual minimum purchase requirements.

EMPLOYEE BENEFIT PLANS

PENSION BENEFITS

The Company has a qualified defined benefit pension plan covering substantially all of its employees hired on or before March 31, 1994, and a non-qualified supplemental defined benefit pension plan effective January 1, 1996, covering a select group of highly compensated employees to ensure the overall retirement pension benefits frozen for such group of employees under the qualified plan. Benefits under each plan are based on credited years of service and the employee's compensation during the last five years of employment. The Company's funding policy is to contribute annually the amount required to meet ERISA funding standards and to provide not only for benefits attributed to service to date but also for those anticipated to be earned in the future.

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

	Fiscal Year		
(In thousands)	1996	1995	1994
Service cost - benefits earned in the period	$2,849	$1,642	$1,671
Interest cost on projected benefit obligation	1,174	811	689
Investment return on plan assets	(917)	(631)	(575)
Net amortization and deferral	922	303	529
Net periodic pension cost	$4,028	$2,125	$2,314
Assumptions used in each year of the actuarial computations were:			
Discount rate	7.1%	6.5%	8.4%
Rate of increase in compensation levels	5.5%	5.5%	5.0%
Expected long-term rate of return	9.0%	9.0%	9.0%

EMPLOYEE BENEFIT PLANS - continued

The following table sets forth the funded status of the Company's defined benefit plan.

(In thousands)	1996	1995
Actuarial present value of:		
Vested benefit obligation	$11,733	$10,857
Non-vested benefits	3,011	2,091
Accumulated benefit obligation	$14,744	$12,948
Actuarial present value of projected benefit obligation	$20,539	$18,572
Plan assets at fair value, primarily cash equivalents, U.S. Government securities and obligations, and publicly traded stocks and mutual funds	14,152	8,910
Projected benefit obligation in excess of plan assets	(6,387)	(9,662)
Unrecognized prior service cost	(812)	(947)
Unrecognized net obligation at transition	225	239
Unrecognized net loss	7,059	9,454
Prepaid (Accrued) pension cost	$ 85	$ (916)

The minimum pension liability relating to certain unfunded pension obligations at February 1, 1997, was $771,000.

SAVINGS PLAN

The Company has a savings plan with a 401(k) deferral feature and a Top Hat Plan with a similar deferral feature for all eligible employees. Provisions of $3,272,000, $1,650,000, and $1,564,000 have been charged to operations in fiscal 1996, 1995, and 1994, respectively.

LEASES

Leased property consists primarily of the Company's retail stores and certain warehouse space. Many of the store leases have rent escalations and provide that the Company pay for real estate taxes, utilities, liability insurance and maintenance. Certain leases provide for contingent rents, in addition to the fixed monthly rent, based on a percentage of store sales above a specified level. In addition, some leases provide options to extend the original terms for an additional two to twenty years. Minimum lease commitments as of February 1, 1997, are as follows:

LEASES - continued

(In thousands)	Capital Leases	Operating Leases
1997	$ 472	$136,407
1998	472	117,067
1999	472	96,272
2000	472	72,420
2001	472	50,210
Subsequent to 2001	4,676	108,749
Total future minimum lease payments	7,036	$581,125
Less: interest	3,332	
Present value of minimum lease payments	$3,704	

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

	Fiscal Year		
(In thousands)	1996	1995	1994
Minimum rentals	$163,070	$62,109	$51,237
Contingent rents	5,466	540	279
	$168,536	$62,649	$51,516

STOCKHOLDERS' EQUITY

STOCK SPLIT

On November 19, 1996, the Board of Directors authorized a 5 for 4 stock split payable to stockholders of record on December 10, 1996. The stock split, distributed December 24, 1996, resulted in the issuance of 13,388,264 new shares of common stock. All references in the financial statements to average number of shares outstanding and related prices, per share amounts, and stock option data have been restated to reflect the split.

PUBLIC OFFERING OF COMMON STOCK

In June 1996, the Company issued 6,406,250, adjusted for the 5 for 4 split, shares of common stock. Net proceeds to the Company totaled $190,639,000 and were utilized to repay a portion of the borrowings incurred to finance the acquisition of Kay-Bee.

INCOME PER COMMON AND COMMON EQUIVALENT SHARE

Income per common and common equivalent share are based on the weighted average number of shares outstanding during each period including the additional number of shares which would have been issuable upon exercise of stock options, assuming that the Company used the proceeds received to purchase additional shares at market value. The average number of common and common equivalent shares outstanding during fiscal 1996, 1995 and 1994 were 67,233,323, 61,128,496, and 60,096,453, respectively.

STOCKHOLDERS' EQUITY - continued

STOCKHOLDER RIGHTS PLAN

Each share of the Company's common stock has one Right attached. The Rights trade with the common stock and only become exercisable, or transferable apart from the common stock, ten business days after a person or group (Acquiring Person) acquires beneficial ownership of, or commences a tender or exchange offer for, 20% or more of the Company's common stock. Each Right, under certain circumstances, entitles its holder to acquire a fraction of a share of Series A Junior Participating Preferred Stock at a price of $35, subject to adjustment. If 20% of the Company's common stock is acquired, or a tender offer to acquire 20% of the Company's common stock is made, each Right not owned by an Acquiring Person will entitle the holder to purchase Company common stock having a market value of twice the exercise price of the Rights.

In addition, at any time there is a 20% or more stockholder of the Company, the Rights will entitle a holder to buy a number of shares of common stock of the acquiring company having a market value of twice the exercise price of each Right. The Rights may be redeemed by the Company at $.01 per Right at any time until the tenth day following public announcement that a 20% position has been acquired. The Rights expire on April 18, 1999, and at no time have voting power.

PREFERRED STOCK

In conjunction with the Stockholder Rights Plan the Company has reserved 600,000 shares of preferred stock for issuance thereunder.

STOCK PLANS

STOCK COMPENSATION PLANS

At February 1, 1997, the Company has three stock-based compensation plans, which are described below. The Company applies APB Opinion 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for the Consolidated Stores Corporation 1996 Performance Incentive Plan (Incentive Plan). Total compensation cost that has been charged against income for its Director Stock Option Plan (DSOP) and Restricted Stock Plan (RSP) was $7,037,000, $750,000 in 1996 and 1995, respectively. Had compensation cost for the Company's Incentive Plan been determined consistent with FASB Statement 123, the Company's net income and income per share would have been reduced to the pro forma amounts indicated below:

	1996	1995
Net Income (in thousands):		
As reported	$83,917	$64,406
Pro forma	80,460	63,318
Income per common and common equivalent share:		
As reported	$ 1.25	$ 1.06
Pro forma	1.20	1.04

STOCK PLANS - continued

FIXED STOCK OPTION PLANS

The Consolidated Stores Corporation 1996 Performance Incentive Plan (Incentive Plan) was approved by stockholders in 1996. The Incentive Plan provides for the issuance of stock options, restricted stock, performance units, stock equivalent units, and stock appreciation rights (SAR's). The number of newly issued shares of common stock available for issuance under the Incentive Plan is 2,500,000 plus an additional 1% of the total number of issued shares, including any Treasury Stock, at the start of the Company's fiscal year plus shares available but not issued in previous years of the Incentive Plan. Total newly issued shares of common stock available for use under the Incentive Plan shall not exceed 15% of the total issued and outstanding Common Stock as of any measurement date. A minimum of 8,375,000 shares of common stock are available for issuance and the term of each award is determined by a committee of the Board of Directors charged with administering the Incentive Plan. Stock options granted under the Incentive Plan may be either nonqualified or incentive stock options and the exercise price may not be less than the fair market value, as defined, of the underlying common stock on the date of award. The award price of an SAR is to be a fixed amount, not less than 100% of the fair market value of a share of common stock at the date of award. Upon an effective change in control of the Company all awards outstanding under the Incentive Plan automatically vest.

Prior to 1996 the Company had a Stock Option Plan (Plan) which expired in 1995. The Plan provided that all options be granted at an exercise price at least equal to the fair market value of the common stock at the date of grant. Options generally became exercisable one year following the original date of grant in five equal annual installments.

The Company has a Director Stock Option Plan (DSOP), for non-employee directors, pursuant to which up to 625,000 shares of the Company's common stock may be issued upon exercise of options granted thereunder. The DSOP is administered by the Compensation Committee of the Board of Directors pursuant to an established formula. Neither the Board of Directors, nor the Compensation Committee, exercise any discretion in administration of the DSOP. Grants are made annually, 90 days following the annual meeting of stockholders, at an exercise price equal to 100% of the fair market value on the date of grant. The present formula provides for an annual grant of 5,000 options to each non-employee director which becomes fully exercisable over a three year period, 20% the first year and 40% each subsequent year, beginning one subsequent to grant.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1996 and 1995, respectively: no dividend yield for any year; expected volatility of 42% and 32%; risk-free interest rates of 6.0% and 4.9%; and expected lives of 2.5 and 2.4 years.

A summary of the status of the Incentive Plan and DSOP as of February 1, 1997, and February 3, 1996, and changes during the fiscal years ended on those dates is presented below:

STOCK PLANS - continued

	1996		1995	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	6,689,753	$ 7.80	5,782,840	$ 6.43
Granted	1,852,700	32.71	2,510,215	15.00
Exercised	457,282	9.07	1,044,519	4.78
Forfeited	56,696	14.32	558,783	3.13
Options outstanding at end of year	8,028,475	$ 11.20	6,689,753	$ 7.80
Options exercisable at end of year	3,803,347		3,264,781	
Weighted average fair value of options granted during the year	$10.30		$3.67	

The following table summarizes information about fixed stock options outstanding at February 1, 1997:

		Options Outstanding			Options Exercisable	
Range of Exercise Prices						
Greater than	less than or equal to	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
$ 1	$10	2,520,441	4.1	$ 4.93	2,509,893	$ 4.91
$10	$20	3,656,584	7.7	14.49	1,293,454	14.12
Greater than	$20	1,851,450	9.9	32.69	--	--
		8,028,475	7.1	$11.20	3,803,347	$ 8.04

RESTRICTED STOCK

The Company's RSP permits the granting of 625,000 shares of restricted stock awards to key employees, officers and directors. The shares are restricted as to the right of sale and other disposition until vested as determined by the Board of Directors. The Plan provides that on any event that results in a change in effective control of the Company, all awards of restricted stock would become vested as of the date of such change in effective control. The Plan terminates in 1997 or when sooner terminated by the Company's Board of Directors.

As of February 1, 1997, no restricted shares were outstanding with respect to restrictions which had not lapsed and shares available for grant totaled 216,340.

ADDITIONAL DATA

The following is a summary of certain financial data:

(In thousands)	1996	1995
Property and equipment - at cost:		
Land	$ 11,311	$ 7,700
Buildings	105,615	64,119
Fixtures and equipment	430,208	233,278
Transportation equipment	18,695	6,962
	565,829	312,059
Construction-in-progress	693	9,689
	566,522	321,748
Less accumulated depreciation	186,427	144,425
	$380,095	$177,323
Accrued liabilities:		
Salaries and wages	$45,941	$16,152
Property, payroll and other taxes	20,267	24,120
Other	2,382	1,247
	$68,590	$41,519

The following analysis supplements changes in assets and liabilities presented in the consolidated statements of cash flows.

	Fiscal Year		
(In thousands)	1996	1995	1994
Accounts receivable	$ 15,046	$ (3,433)	$ (659)
Inventories	(183,980)	(86,214)	(49,252)
Prepaid expenses	(7,304)	(4,266)	(2,329)
Accounts payable	75,102	25,822	24,031
Accrued liabilities	(23,947)	3,230	6,657
Income taxes	48,718	(1,566)	(4,141)
	$ (76,365)	$(66,427)	$(25,693)

BUSINESS GROUP INFORMATION

The Company is a value retailer specializing in close-out merchandise and toys. Operations are comprised of three business groups; Closeout, Toys, and other operations which include the Company's wholesale operations. The Closeout Stores offer name-brand merchandise at substantial discounts to traditional retail prices and operate under the names ODD LOTS and BIG LOTS in the midwestern, southern, southwestern, and mid-Atlantic regions of the United States. Toy Stores offer traditional in-line toys and closeout toys and operate throughout the United States and Puerto Rico under the names KAY-BEE TOYS, KB TOY WORKS, and KB TOY OUTLET. The Company believes that KAY-BEE is the largest enclosed mall-based toy retailer in the United States. Business group information follows:

	Fiscal Year		
(In thousands)	1996	1995	1994
Revenues:			
Closeout	$ 1,431,873	$ 1,286,675	$ 1,112,087
Toys	1,178,224	76,689	45,937
Other	37,419	42,652	27,030
	$ 2,647,516	$ 1,406,016	$ 1,185,054
Operating profit (loss):			
Closeout	$ 110,927	$ 111,063	$ 93,432
Toys	96,474	7,438	6,696
Other and corporate	(10,854)	163	1,352
	$ 196,547	$ 118,664	$ 101,480
Depreciation and amortization:			
Closeout	$ 28,788	$ 25,369	$ 21,943
Toys	15,358	534	350
Other and corporate	4,229	4,118	4,184
	$ 48,375	$ 30,021	$ 26,477
Capital expenditures:			
Closeout	$ 42,327	$ 41,353	$ 38,844
Toys	49,009	2,419	2,364
Other and corporate	2,278	4,319	350
	$ 93,614	$ 48,091	$ 41,558

Identifiable assets were comprised of the following:

(In thousands)	1996	1995
Closeout	$ 643,777	$ 530,785
Toys	619,688	23,201
Other and corporate	67,038	85,829
	$1,330,503	$ 639,815

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for fiscal 1996 and 1995 is presented below:

	Quarter				
(In thousands except per share data)	First	Second	Third	Fourth*	Year
1996					
Net sales	$ 321,969	$ 532,547	$ 597,314	$ 1,195,686	$ 2,647,516
Gross margin	$ 135,108	$ 216,749	$ 255,084	$ 498,074	$ 1,105,015
Income (loss):					
Continuing operations	$ 5,887	$ (3,402)	$ 1,041	$ 109,785	$ 113,311
Discontinued operations	(2,281)	(3,317)	(4,059)	(17,881)	(27,538)
Extraordinary charge	--	(1,856)	--	--	(1,856)
Net income (loss)	$ 3,606	$ (8,575)	$ (3,018)	$ 91,904	$ 83,917
Income (loss) per common and common equivalent share of stock:					
Continuing operations	$ 0.10	$ (0.05)	$ 0.02	$ 1.58	$ 1.69
Discontinued operations	(0.04)	(0.05)	(0.06)	(0.26)	(0.41)
Extraordinary charge	--	(0.03)	--	--	(0.03)
	$ 0.06	$ (0.13)	$ (0.04)	$ 1.32	$ 1.25
1995					
Net sales	$ 271,113	$ 302,563	$ 333,010	$ 499,330	$ 1,406,016
Gross margin	$ 112,432	$ 127,337	$ 140,947	$ 213,746	$ 594,462
Income (loss):					
Continuing operations	$ 4,467	$ 10,638	$ 12,065	$ 42,963	$ 70,133
Discontinued operations	(1,471)	(1,885)	(1,921)	(450)	(5,727)
Net income	$ 2,996	$ 8,753	$ 10,144	$ 42,513	$ 64,406
Income (loss) per common and common equivalent share of stock:					
Continuing operations	$ 0.07	$ 0.17	$ 0.20	$ 0.70	$ 1.15
Discontinued operations	(0.02)	(0.03)	(0.03)	(0.01)	(0.09)
	$ 0.05	$ 0.14	$ 0.17	$ 0.69	$ 1.06

* The fourth quarter of 1995 is a fourteen week period.

Income (loss) per share calculations are based on the weighted average number of common and common equivalent shares outstanding for each period and the sum of the quarters may not necessarily be equal to the full year income (loss) per share amount.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

ITEMS 10-13

Pursuant to Instruction G(3) to Form 10-K, the information required in Items 10 - - 13 is incorporated by reference from the Company's definitive proxy statement which will be filed with the Commission pursuant to Regulation 14A on or about April 22, 1997.

Information regarding Executive Officers of the Company is furnished in a separate item captioned "Executive Officers of the Company" in Part I of this report.

PART IV

ITEM 14 EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

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

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the last quarter of the fiscal year ended February 1, 1997.

(c) Exhibits

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

Exhibit No.	Document
3(a)	Form of Restated Certificate of Incorporation of the Company (Exhibit 4(a) to the Company Registration Statement (No. 33-6086) on Form S-8 and incorporated herein by reference)
3(b)	Amended and Restated By-laws of the Company (Exhibit 3(c) to the Company's Annual Report on Form 10-K for the year ended February 3, 1990 and incorporated herein by reference)
3(c)	Amendment to By-laws dated April 14, 1992 (Exhibit 3(c) to the Company's Annual Report on Form 10-K for the year ended February 1, 1992 and incorporated herein by reference)
4(a)	Specimen Stock Certificate (Exhibit 4(a) to the Company's Annual Report on Form 10-K for the year ended February 1, 1992 and incorporated herein by reference)
4(b)	Summary of Rights to Purchase Preferred Stock (Exhibit 4(b) to the Company's Annual Report on Form 10-K for the year ended February 3, 1990 and incorporated herein by reference)
4(c)	Rights Agreement between the Company and National City Bank (Exhibit 4(c) to the Company's Annual Report on Form 10-K for the year ended February 3, 1990 and incorporated herein by reference)
4(d)	Form of Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Company (Exhibit 4(d) to the Company's Annual Report on Form 10-K for the year ended February 3, 1990 and incorporated herein by reference)
10(a)*	Consolidated Stores Corporation 1996 Performance Incentive Plan as Amended and Restated on July 23, 1996
10(a)(i)	Consolidated Stores Corporation Directors Stock Option Plan (Exhibit 10(q) to the Company's Registration Statement (No. 33-42502) on Form S-8 and incorporated herein by reference)
10(a)(ii)	Consolidated Stores Corporation Amended and Restated Directors Stock Option Plan (Exhibit 10(c)(ii) to the Company's Annual Report on Form 10-K for the year ended February 1, 1992 and incorporated herein by reference)
10(b)	Consolidated Stores Corporation Supplemental Savings Plan (Exhibit 10(r) to the Company's Registration Statement (No. 33-42692) on Form S-8 and incorporated herein by reference)
10(c)	CSIC Pension Plan and Trust dated March 1, 1976 (Exhibit 10(h)(ii) to the Company's Registration Statement (No. 2-97642) on Form S-1 and incorporated herein by reference)
10(c)(i)	Amendment to CSIC Pension Plan and Trust (Exhibit 10(h)(ii) to the Company's Registration Statement (No. 2-97642) on Form S-1 and incorporated herein by reference)
10(c)(ii)	Amendment No. 2 to CSIC Pension Plan and Trust (Filed as an Exhibit to the Company's Registration Statement (No. 33-6086) on Form S-8 and incorporated herein by reference)

Exhibit No.	Document
10(d)*	Amended and Restated Credit Agreement dated as of May 3, 1996, by and among Consolidated Stores Corporation, an Ohio corporation (the "Borrower"), the BANKS (as defined), and The Bank of New York, in its capacity as Syndication Agent and as Managing Agent, National City Bank of Columbus, in its capacity as Administrative Agent ("Administrative Agent") and as Managing Agent, PNC Bank, Ohio, National Association, in its capacity as Arranger, as Documentation Agent (the "Documentation Agent") and as Managing Agent, Bank One, Columbus, N.A., in its capacity as Managing Agent, and National City Bank in its capacity as Managing Agent
10(e)	Consolidated Stores Corporation 7% Senior Subordinated Note due May 4, 2000 (Exhibit 10(b) to the Company's Current Report on Form 8-K dated May 10, 1996, and incorporated herein by reference)
10(e)(i)	Indenture, dated as of May 5, 1996, between Consolidated Stores Corporation, an Ohio corporation, and The Bank of New York, a New York banking corporation (the "Trustee") for the equal and ratable benefit of the Holders of the Company's Subordinated Notes due May 4, 2000 (Exhibit 10(b)(i) to the Company's Current Report on Form 8-K dated May 10, 1996, and incorporated herein by reference)
10(e)(ii)*	First Supplemental Indenture, dated as of January 22, 1997, among Consolidated Stores Corporation, an Ohio corporation, and The Bank of New York, a New York banking corporation
10(f)	Stock Purchase Agreement dated as of March 25, 1996 between Melville Corporation and Consolidated Stores Corporation relating to the purchase and sale of 100% of the Common Stock of Kay-Bee Center, Inc. (Exhibit B to the Company's Current Report on Form 8-K dated April 8, 1996, and incorporated herein by reference)
10(f)(i)	Amendment No. 1 to Stock Purchase Agreement dated as of March 25, 1996 between Melville Corporation and Consolidated Stores Corporation relating to the purchase and sales of 100% of the Common Stock of Kay-Bee Center, Inc. (Exhibit 10 to the Company's Current Report on Form 8-K dated May 10, 1996, and incorporated herein by reference)
10(g)	Employment Agreement with William G. Kelley (Exhibit 10(r) to the Company's Annual Report on Form 10-K for the year ended February 3, 1990 and incorporated herein by reference)
10(g)(i)	Amendment No. 1 to Employment Agreement with William G. Kelley (Exhibit 10(f)(i) to the Company's Annual Report on Form 10-K for the year ended February 3, 1996 and incorporated herein by reference)
10(h)	Employment Agreement with Armen Bahadurian (Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 29, 1995, and incorporated herein by reference)
10(i)	Employment Agreement with Charles Freidenberg (Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 29, 1995, and incorporated herein by reference)
10(j)	Employment Agreement with Michael L. Glazer (Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 29, 1995, and incorporated herein by reference)
10(k)	Employment Agreement with C. Matthew Hunnell (Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 29, 1995, and incorporated herein by reference)
10(l)	Consolidated Stores Corporation 1987 Restricted Stock Plan as amended and restated (Exhibit 10(p)(i) to the Company's Annual Report on Form 10-K for the year ended February 3, 1990 and incorporated by reference herein)

Exhibit No.	Document
10(m)	Consolidated Stores Corporation Savings Plan and Trust, as amended and restated (Exhibit 10(q)(i) to the Company's Annual Report on Form 10-K for the year ended February 3, 1990 and incorporated by reference herein)
10(n)*	The Consolidated Stores Corporation Key Associate Annual Incentive Compensation Plan
10(o)	Form of Executive Severance Agreement of the Company (Exhibit 10(s)(i) to the Company's Annual Report on Form 10-K for the year ended February 3, 1990 and incorporated herein by reference)
10(p)	Consolidated Stores Executive Benefits Plan (Exhibit 10(t) to the Company's Annual Report on Form 10-K for the year ended February 3, 1990 and incorporated herein by reference)
21*	List of subsidiaries of the Company
23*	Consent of Deloitte & Touche LLP
24	Power of Attorney for William G. Kelley, Michael L. Glazer and Michael J. Potter (Exhibit 24 included in Part II of the Company's Registration Statement (No. 333-2545) on Form S-3 and incorporated herein by reference)
24.1	Power of Attorney for David T. Kollat (Exhibit 24.1 to the Company's Registration Statement (No. 333-2545) on Form S-3 and incorporated herein by reference)
24.2	Power of Attorney for Nathan P. Morton (Exhibit 24.2 to the Company's Registration Statement (No. 333-2545) on Form S-3 and incorporated herein by reference)
24.3	Power of Attorney for Dennis B. Tishkoff (Exhibit 24.4 to the Company's Registration Statement (No. 333-2545) on Form S-3 and incorporated herein by reference)
24.4	Power of Attorney for William A. Wickham (Exhibit 24.5 to the Company's Registration Statement (No. 333-2545) on Form S-3 and incorporated herein by reference)
24.5	Power of Attorney for Sheldon M. Berman (Exhibit 24.6 to the Company's Registration Statement (No. 333-2545) on Form S-3 and incorporated herein by reference)
27	Financial Data Schedule

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS(a)
(In thousands)

		Additions			
	Balance at Beginning of Period	Charged to Cost and Expense	Charged to Other Accounts	Deductions	Balance at End of Period
Fiscal year ended February 1, 1997:					
Inventory valuation allowance (1)	$4,906	$2,878	$10,200(b)	$9,958	$8,026
Fiscal year ended February 3, 1996:					
Inventory valuation allowance (1)	$4,706	$1,307	$ --	$1,107	$4,906
Fiscal year ended January 28, 1995:					
Inventory valuation allowance (1)	$5,918	$2,573	$ --	$3,785	$4,706

(a) Restated to reflect continuing operations.
(b) Value from company acquired.
(1) Consists primarily of reserve for markdowns of aged goods and similar inventory reserves.

SIGNATURES

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

CONSOLIDATED STORES CORPORATION

Date: April 18, 1997

By: /s/ William G. Kelley

William G. Kelley
Chairman of the Board and Chief Executive Officer

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

Date: April 18, 1997

/s/ William G. Kelley

William G. Kelley
Chairman of the Board and Chief Executive Officer

Date: April 18, 1997

/s/ Michael L. Glazer

Michael L. Glazer
President

Date: April 18, 1997

/s/ Michael J. Potter

Michael J. Potter
Senior Vice President, Chief Financial and Accounting Officer

Date: April 18, 1997

Sheldon M. Berman
Michael L. Glazer
William G. Kelley
David T. Kollat
Nathan Morton
Dennis B. Tishkoff
William A. Wickham

Directors

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

/s/ Albert J. Bell

Albert J. Bell
Attorney-in-Fact

Dated: April 18, 1997

EXHIBIT 10(a)

CONSOLIDATED STORES CORPORATION
1996 PERFORMANCE INCENTIVE PLAN
AS AMENDED AND RESTATED ON JULY 23, 1996

1. PURPOSE. The Consolidated Stores Corporation 1996 Performance Incentive Plan (the "Plan") has been adopted to promote the long-term success of Consolidated Stores Corporation (the "Company") for the benefit of the Company's stockholders by encouraging and creating significant ownership of Consolidated Stores Corporation Common Stock, $.01 par value ("Common Stock" or "shares"), by employees of the Company and its subsidiary corporations ("Subsidiaries"), as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended (the "Code"). Additional purposes of the Plan include generating meaningful incentive to participants to make substantial contributions to the Company's future success and to enhance the Company's abilities to attract and retain persons who will make such contributions. These purposes are to be accomplished through stock options, restricted stock, performance units, and stock equivalent units.

2. EFFECTIVE DATE. The Plan shall be effective as of January 1, 1996, subject to approval and modification by the Company's stockholders no later than September 1, 1996. Awards may occur and shares may be issued under the Plan on or after January 1, 1996 and prior to stockholder approval, subject to the condition that any transactions under the Plan shall be rescinded in the event that stockholders have not approved the Plan by September 1, 1996.

3. COMMON SHARES AVAILABLE. Subject to adjustments contemplated by Section 4, the maximum number of newly issued shares of Common Stock that will be available for issuance under the Plan shall be 2,000,000 shares, plus an additional one percent (1%) of the total number of issued shares of Common Stock (including treasury shares) as of the start of each of the Company's fiscal years (currently comprised of a 52/53 week Fiscal Year which ends on the Saturday nearest to January 31) that the Plan is in effect (including shares exchanged in exercising stock options as contemplated by Section 5). Any shares available but unissued in any given fiscal year shall continue to be available for use in subsequent fiscal years. In any event, the total awards of stock options or restricted stock outstanding and shares available for use under the Plan combined with any awards of stock options or restricted stock outstanding from the Company's 1987 Restricted Stock Plan, Executive Stock Option and Stock Appreciation Rights Plan, and Director Stock Option Plan, respectively, shall not exceed fifteen percent (15%) of the total shares of issued and outstanding Common Stock as of any measurement date. The aggregate number of shares that can be issued under the Plan by virtue of the exercise of incentive stock options ("ISO"), which are intended to be qualified under Section 422 of the Code, shall be limited to 5,000,000 shares. Any shares that may be issued under the Plan may be either authorized but unissued shares or issued shares reacquired by the Company and that are being held as treasury shares, or shares acquired and held for the benefit of the Plan pursuant to a written agreement with the Company. In the event that the Committee enters into such an agreement with one or more third persons to acquire shares of the Company's Common Stock in the market for use by the Plan, such market acquired shares shall not be subject to or included in any calculations of shares available in any fiscal year.

4. ADJUSTMENTS AND REORGANIZATIONS. The Committee may make such adjustments to Awards made under the Plan (including the terms, exercise price and otherwise) as it deems appropriate in the event of changes that impact the Company, the Company's share price, or share status, provided that any such actions are consistently and equitably applied to all affected participants; provided, that, notwithstanding any other provision hereof, insofar as any Award is subject to performance goals established to qualify payments thereunder as "performance-based compensation" as described in Section 162(m) of the Code, the Committee shall have no power to adjust such Awards other than (i) discretion to decrease (but not increase) compensation and (ii) the power to adjust Awards for corporate transactions, in either case to the extent permissible under regulations interpreting Code Section 162(m).

In the event of any stock dividend, stock split, extraordinary dividend, combination or exchange of shares, merger, reorganization, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the number of shares or the Company's capitalization, such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change shall be made with respect to (i) aggregate number of shares that may be issued under the Plan; (ii) the number of shares relating to each outstanding Award made or assumed under the Plan; and (iii) the price per share for any outstanding stock options awarded or assumed under the Plan. If an equitable adjustment cannot be made or the Committee determines that future adjustments are necessary, the Committee shall make such equitable adjustment under the Plan as it determines will fairly preserve the intended benefits of the Plan to the participants and the Company. In addition, any shares issued by the Company through the assumption or substitution of outstanding securities or commitments to issue securities from an acquired company or other entity shall not reduce the shares available for issuance under the Plan.

5. SHARE USAGE. If Awards made or assumed under the Plan expire or are canceled without either the issuance of shares or a settlement in cash in lieu of the issuance of shares, the shares of stock covered by such Awards shall remain available for issuance under the Plan. Further, any shares which are exchanged (whether actual or constructive) by a participant as full or partial payment to the Company of the purchase price of shares being acquired through the exercise of a stock option awarded or assumed under the Plan shall be added to the aggregate number of shares available for issuance, but not added to the maximum number of shares available for issuance pursuant to ISO Awards.

6. TERM OF THE PLAN. The term of this Plan shall be from January 1, 1996, until 5:00 p.m. Eastern time on February 3, 2006, unless sooner terminated by the Board. Outstanding Awards shall continue to be effective and governed by this Plan until they expire by their terms as provided in their respective Award Agreements even though their expiration dates may be subsequent to the termination of this Plan.

7. PLAN ADMINISTRATION.

7.1 Committee. A committee appointed by the Board (the "Committee") shall be responsible for administering this Plan. The Committee shall be comprised of three or more members of the Board who shall, to the extent required, qualify to administer this Plan as contemplated by Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act") (or any successor rule) and "Outside Directors" as that term is used in Section 162(m) of the Code and regulations promulgated thereunder. Without limiting the foregoing, except as otherwise designated by the Board, the Committee shall be the Compensation Committee of the Board.

7.2 Powers of the Committee. Subject only to the express restrictions and limitations otherwise set forth in the Plan, the Committee shall have sole, absolute and full authority and power to:

(a) Interpret this Plan and undertake such actions and make such determinations and decisions as it deems necessary and appropriate to carry out the Plan intent;

(b) Determine eligibility of participants and select individuals to receive Awards;

(c) Determine the nature and amount of each Award;

(d) Decide the type of Award instrument to be made to each participant and the terms and conditions applicable to each such Award;

(e) Award instruments in isolation, in addition to, in tandem with, or in substitution for other instruments made under this Plan or Awards made under any other plan of the Company or any options assumed under the Plan;

(f) Enter into agreements evidencing Awards made under this Plan and their respective terms and conditions ("Award Agreements");

(g) Correct any defect, supply any omission, reconcile any inconsistency in the Plan or any Award instrument in the manner and to the extent the Committee deems necessary or desirable;

(h) Establish, amend and rescind rules and regulations relating to this Plan, provided that no such rule or regulation shall be effective to the extent that its effect would cause the Plan or any transaction to not comply with Rule 16b-3 under the 1934 Act; and

(i) Take any other action necessary to the administration of this Plan, provided that no such action shall be effective to the extent that the effect of the action would cause the Plan or any transaction to not comply with Rule 16b-3 under the 1934 Act.

7.3 Delegation of Authority. The Committee may designate persons other than members of the Committee or the Board to carry-out its responsibilities subject to such limitations, restrictions and conditions as it may prescribe, except that the Committee may not delegate its authority with regards to the awarding of options to persons subject to Sections 16(a) and 16(b) of the 1934 Act. Further, the Committee may not delegate its authority if such delegation would cause this Plan not to comply with the requirements of Rule 16b-3 or any successor rule under the 1934 Act.

7.4 Documentation of Awards. All Awards made under this Plan shall be evidenced by written agreements or such other appropriate documentation as the Committee shall determine.

7.5 Indemnification. The Company may make such indemnification arrangements for the Committee and its delegated appointees as shall be permitted by its Articles of Incorporation, Bylaws and any applicable law.

8. ELIGIBILITY. Any salaried employee, consultant or advisor of the Company and its Subsidiaries shall be eligible to be designated, in the discretion of the Committee, a participant of this Plan, provided such eligibility would not jeopardize this Plan's compliance with Rule 16b-3 under the 1934 Act or any successor rule. For purposes of this Plan, a consultant or advisor shall be eligible only if bona fide services are being rendered pursuant to a valid written agreement between the consultant or advisor and the Company, and the services rendered are not in connection with the offer or sale of securities in a capital-raising transaction.

9. AWARDS. Awards may be made singly, in combination or in tandem to the extent allowable under the Code and regulations promulgated thereunder. Awards may also be made in combination or in tandem with, in replacement of, as alternatives to, or as the payment form for, Awards or rights under any other employee benefit or compensation plan of the Company and Subsidiaries, including any such employee benefit or compensation plan of any acquired entity. Each Award shall be created upon and evidenced by an Award Agreement. No Award shall be required to be similar to any other Award made by the Committee.

9.1 Stock Options. A stock option shall confer on a participant the right to purchase a specified number of shares from the Company subject to the terms and conditions of the stock option Award. Options awarded under the Plan may be: (i) Options which are intended to qualify and are clearly identified as ISOs under Section 422 of the Internal Revenue Code of 1986 as amended (the "Code") (ISOs); (ii) Options which are not so intended to qualify under Section 422 of the Code (NQSOs); or (iii) both of the foregoing if awarded separately, not in tandem. Any stock option not specifically designated as intended to qualify as an ISO shall constitute an NQSO.

In the case of Options intended to be ISOs, the exercise price per share shall not be less than the fair market value of the underlying common stock on the date of the Award. The fair market value, determined at the time of awarding the Option to a participant, of shares of Common Stock with respect to which ISOs are exercisable for the first time by such participant during any calendar year (under all plans of the participant's employer corporation and its parent and subsidiary corporations) shall not exceed $100,000. In the case of an optionee who owns stock possessing more than ten percent (10%) of the total combined voting power or value of all classes of stock of the Corporation or its parent or subsidiary corporations (as determined under Section 424(d), (e) and (f) of the Code) at the time an Option which is intended to qualify as an ISO under Section 422 of the Code is awarded, the price per share of Common Stock at which such Option may be exercised shall not be less than 110% of the fair market value of the Common Stock at the time such Option is awarded.

NQSOs may be awarded to any Plan participant without regard to such fair market value limitation, provided that in any event the exercise price of any NQSO shall be at least the price per share of the fair market value of the underlying Common Stock on the date of the Award.

In any award of stock options under this Plan, the fair market value of the Common Stock shall be the volume weighted average trading price of the Common Stock on the New York Stock Exchange on the Award Date.

The Committee shall have the discretion to award SARs with or without stock options to purchase shares of Common Stock on such terms and conditions provided in the Award Agreement as it deems appropriate (including any limit on aggregate appreciation). The Committee may award an SAR concurrently with the award of an Option or, in the case of an Option which is not an ISO, with respect to an outstanding option. A tandem Option/SAR will allow a participant to surrender an Option or portion thereof and to receive payment from the Corporation in an amount equal to the excess of the aggregate fair market value of the shares of Common Stock with respect to which the Option is surrendered over the aggregate option price of such shares. An SAR shall be exercisable no sooner than six (6) months after it is awarded and thereafter at any time prior to its stated expiration date, but only to the extent the related Option may be exercised. SARs may be settled in shares of Common Stock, cash or a combination of shares and cash, as provided in the SAR Award Agreement. Shares as to which any Option is so surrendered shall not be available for future option Awards hereunder.

The Award price per share of Common Stock of a SAR shall be fixed in the Award Agreement and shall not be less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date of the Award. The Fair Market Value shall be determined in the same manner as described above.

9.2 Performance Units. The Committee shall have the discretion to award instruments which designate an Award of cash or its equivalent, which upon satisfaction of the criteria set forth in the Award Agreement may become payable to the Award recipient in the form of cash, stock, stock options, annuities, or such other form as is deemed appropriate by the Committee. Performance Units may vest in such manner as described in Section 10 below, subject to the provision of Section 13 and upon satisfaction of such criteria as the Committee shall deem appropriate. At the discretion of the Committee, Performance Units may but need not convert into securities or derivative securities at such time or times and in such manner as is set forth in the Award Agreement.

9.3 Restricted Stock. The Committee shall have the discretion to award shares of any series or class of common stock of the Corporation which have been duly listed with one or more stock exchanges, and which have been duly authorized and reserved for purposes of the Plan; provided that such shares shall be restricted against any disposition, transfer or negotiation by sale, hypothecation, pledge or otherwise except in keeping with the vesting and other criteria established by the Committee at the time of Award ("Restricted Stock"). The Committee shall establish vesting criteria consistent with Sections 10 sand 11, respectively.

9.4 Stock Equivalent Units. The Committee shall have the discretion to create and award one or more series or class of Stock Equivalent Units. The Committee shall set forth the specific terms appurtenant to each series or class of Stock Equivalent Units. No Stock Equivalent Units shall at any time be deemed to constitute or convey equity ownership, or a fractional share thereof in the Company, its assets, or in any other person, entity or assets; and all Stock Equivalent Units shall be restricted against any disposition, transfer or negotiation by sale, hypothecation, pledge or otherwise.

10. PERFORMANCE-BASED COMPENSATION. Unless expressly waived (either with respect to an individual or a class of individuals) in writing by the Committee, Awards of Performance Units, Restricted Stock, and Stock Equivalent Units are subject to the provisions of this Section 10 in addition to other provisions of this Plan to the extent that the Committee intends to establish performance goals applicable to Performance Units, Restricted Stock, and Stock Equivalent Units awarded to participants in such a manner as shall permit payouts with respect thereto to qualify as "performance-based compensation" as described in Section 162(m)(4)(C) of the Code. In the event of an express waiver by the Committee, any award of Restricted Stock that does not require vesting based upon one or more of the provisions described in this Section 10, in any event shall not fully vest within a period of less than three (3) years from the date of the award.

10.1 Awards subject to this Section must vest solely on the attainment of one or more objective performance goals unrelated to term of employment. Awards will also be subject to the general vesting of Award provisions provided in Section 15.

10.2 The Committee must establish the goals in writing no later than ninety (90) days after commencement of the period of service to which the performance goal relates. The outcome of the goal must be substantially uncertain at the time the Committee actually established the goal.

10.3 The performance goal must state, in terms of an objective formula or standard, the method for computing the amount payable to the participant if the goal is attained.

10.4 The performance goal formula or standard must specify the individual employee(s) or class of employees to which it applies.

10.5 The terms of the objective formula or standard must prevent any discretion being exercised by the Committee to later increase the amount payable that otherwise would be due upon attainment of the goal.

10.6 The material terms of the performance goal must be disclosed to and subsequently approved in a separate vote by the stockholders before the payout is executed, unless they conform to one or any combination of the following:

(a) Earnings per common and common equivalent share of stock from continuing operations as disclosed in the Company's annual report to stockholders for a particular fiscal year, or

(b) Common stock price, or

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

(d) Income from continuing operations, or

(e) Percentage increase in comparable store sales (stores open two or more years at the beginning of the fiscal year) as disclosed in the Company's annual report, or

(f) Any of items (a), (b), (c), (d) or (e) with respect to any subsidiary, affiliate or business unit of the Company whether or not such information is included in the Company's annual report to stockholders, proxy statement or notice of annual meeting of stockholders.

(g) Total Stockholder Return Ranking Position meaning the relative placement of the Company's Total Stockholder Return compared to those publicly held companies in the Company's peer group as established by the Committee prior to the beginning of a vesting period or such later date as permitted under the Code. The peer group shall be comprised of not less than eight (8) and not more than sixteen (16) companies, including the Company.

A combination of target criteria may be used with a particular Award Agreement.

10.8 The Committee must certify in writing prior to payout that the performance goals and any other material terms were in fact satisfied.

10.9 Any terms used in this Section 10 are to be interpreted consistently with Section 162(m) of the Code and regulations promulgated thereunder.

11. LIMITATIONS ON AWARDS.

11.1 Stock Options and SARs. In no event shall the number of shares of Common Stock subject to Stock Options plus the number of shares underlying SARs awarded to any one participant for any fiscal year exceed 1,000,000 shares.

If an option is canceled before it expires, the canceled option continues to be counted against the maximum number of shares for which options may be awarded to that individual for that fiscal year. If, after an Award, the exercise price of an option is reduced, the transaction is treated as a cancellation of the option and the award of a new option. In such a case, both the option that is deemed canceled and the new

option that is deemed awarded reduce the maximum number of shares that can be awarded to any one participant. Similar treatment is afforded to SARs where, after an Award is made, the Award price is reduced.

11.2 Performance and Stock Equivalent Units. With respect to these units, the maximum amount of compensation that may be paid (within the meaning of Section 162(m) of the Code) to any one participant with respect to any one fiscal year shall be $2,000,000 (the "Annual Payment Limit"). In the event that the vesting of any Award, other than that caused by Section 18, would result in a payment in excess of the Annual Payment Limit, the balance in excess of the Annual Payment Limit shall be paid in the next succeeding fiscal year.

11.3 Restricted Stock. In no event shall the number of Restricted Stock shares awarded to any one participant for any fiscal year exceed 1,000,000 shares.

12. EXERCISE OF OPTIONS AND SARS. Subject to the provisions of the Plan, an Option or an SAR may be exercised at such time or times after the date of Award thereof as may be determined by the Committee at the time of Award, subject to earlier exercise by operation of Section 18 hereof; provided, however, no SAR shall be exercisable for six (6) months after it is awarded.

In case the employment of any participant to whom an Option or SAR shall have been granted shall be terminated for any reason other than the participant's death or permanent and total disability within the meaning of Section 422 of the Code, such Option or SAR may be exercised by the participant only during a period not exceeding three (3) months after the date of such termination (but no later than the end of the fixed term of the Option or SAR) and only for the number of shares of Common Stock for which the Option or SAR could have been exercised at the time participant ceased to be an employee.

If a participant to whom an Option or SAR shall have been granted shall die or become permanently and totally disabled within the meaning of Section 422 of the Code while in the employ of the Corporation, such Option or SAR may be exercised by the participant or the participant's personal representative only during a period not exceeding one (1) year after the date of the participant's death or permanent and total disability (but no later than the end of the fixed term of the Option or SAR) and only for the number of shares of Common Stock for which the Option or SAR could have been exercised at the time the participant died or became permanently and totally disabled.

In no event may an Option or SAR be exercised after the expiration of its fixed term.

The recipient of a stock option Award shall pay for the shares at time of exercise in cash or such other form as the Committee may approve, including shares valued at their fair market value on the date of exercise, or in a combination of payment forms; provided however, that Company stock surrendered to satisfy all or a portion of the exercise price was held by the participant of the stock option for at least six (6) months. For purposes of this paragraph, shares of Common Stock tendered as payment of a stock option exercise shall have a fair market value equal to the volume weighted average trading price of the Common Stock as reported by the New York Stock Exchange on the Exercise Date.

Each Option or SAR awarded under the Plan shall be exercised by execution by the holder of written notice of such exercise and delivery thereof to the Corporation at its principal office at 300 Phillipi Road, Columbus, Ohio 43228-0512, or such other address as the Committee may designate, which notice shall in the case of Options specify the number of shares of Common Stock being purchased, together with payment in full for the shares of Common Stock for which the Option is exercised and in the case of SARs specify the number of SARs exercised, the Options to which such SARs are connected and the cash or the number of shares of Common Stock to be received. Such

notice shall comply with such other reasonable requirements as the Committee may establish. Unless the Committee determines to require full payment of the option price in cash, part or all of the option price may be paid in whole shares of Common Stock duly endorsed, or with attached stock powers in blank duly endorsed, for transfer to the Corporation, provided that an additional cash payment is made in such amount as may be required to pay any and all applicable withholding taxes.

No person, estate or other entity shall have any of the rights of a stockholder with reference to shares of Common Stock subject to an Option or SAR or any Award which converts into Common Stock, or with reference to any share of Restricted Stock until a certificate for the shares without restriction has been delivered to the participant.

An Option or SAR granted under the Plan may be exercised for any lesser number of shares of Common Stock than the full amount for which it could be exercised, except that an Option or SAR may not be exercised for a fractional share. Such a partial exercise of an Option or SAR shall not affect the right to exercise the Option or SAR from time-to-time in accordance with the Plan for the remaining shares subject to the Option or SAR.

13. TRADING RESTRICTIONS. The Committee may require that any security, derivative security, restricted stock, or any Award whether or not it involves any of the foregoing, be restricted against the transfer, pledge, conversion, exercise, sale (direct or indirect), or hypothecation, or against any other event, as the Committee may deem appropriate. Such restrictions may take the form of legends appearing on the stock certificate or other instrument evidencing such security, derivative security, or other Award.

The Committee may establish and enforce from time-to-time restrictions on any participant in this Plan with respect to any trading of other transactions or any nature which involve any instruments awarded under this Plan. Such restrictions may include, but shall not be limited to, quarterly trading periods which require transactions to occur only at specific times or under certain conditions.

14. DEFERRAL. The Committee may require or permit participants to defer payout of Awards under such rules or procedures as it may establish under each Award Agreement. The deferral shall be executed by a written, irrevocable election by the participant at such time and in such manner as the Committee at its discretion, shall determine, including but not limited to any deferral which could be subject to a Company plan, if available at such time. The Committee shall determine reasonable bases to account for the delay in payout and, where appropriate, shall determine such bases consistent with Code Section 162(m) and the regulations thereunder (to preserve the Company's tax deduction). Such bases may include, for example, the actual rate of return on a predetermined investment (including any decrease as well as any increase in the value of an investment) during the deferral period (whether or not the assets are actually invested therein).

15. VESTING OF AWARDS. Awards consisting of any form of instrument under this Plan shall vest in the manner designated by the Committee and set forth in the Award instrument provided, however, that, except as provided in the following paragraph, no Award awarded pursuant to this Plan shall vest in less than six (6) months after the date the Award is awarded, and may be based upon the occurrence of events or the satisfaction of criteria which may consist of any measurable standard or combination of standards, and which may include, though shall not be limited to, any one or more of (i) one or more personal performance measurements, (ii) one or more Company performance measurements, (iii) one or more Company Stock performance measurements, or (iv) passage of time; provided, however, that the term of any stock option which is intended to qualify as an ISO shall not exceed ten (10) years from the date of Award; and provided, further, that in the case of an optionee who owns stock possessing more than ten percent (10%) of the total combined voting power or value of all classes of stock of the Corporation or its parent or subsidiary corporations (as determined under Section 424(d), (e) and (f) of the Code) at the time any stock option is awarded, the term of such stock option shall not exceed five (5) years from the date of Award.

16. TRUST DEPOSITS. The Committee may establish one or more revocable and/or irrevocable trusts into which it may elect to deposit cash, securities or derivative securities, or other property for the benefit of any one or more Award recipients, which trust and its contents shall be deemed subject to the general creditors of the Company. The Committee may also establish one or more irrevocable trusts into which it may elect to deposit cash, securities or derivative securities, or other property for the benefit of any one or more Award recipients, which trust and its assets shall not be subject to the claims of the Company's creditors.

17. NON-TRANSFERABILITY. Each Award granted hereunder shall not be assignable or transferable other than by will or the laws of descent and distribution or pursuant to a Qualified Domestic Relations Order; provided, however, that a participant may, to the extent and in a manner specified by the Committee: (a) designate in writing a beneficiary to exercise his Award after the participant's death; (b) transfer an option (other than an ISO), SAR or Performance Unit to a revocable inter vivos trust as to which the participant is both the settlor and the trustee; and (c) if the Award Agreement expressly permits, transfer an Award (other than Restricted Stock or an ISO) for no consideration to any of the following permissible transferees (each a "Permissible Transferee"): (w) any member of the immediate family of the participant to whom such Award was granted, (x) any trust solely for the benefit of members of the participant's immediate family, or (y) any partnership whose only partners are members of the participant's immediate family; and further provided that (i) the transferee shall remain subject to all of the terms and conditions applicable to such Award prior to such transfer; and (ii) any such transfer shall be subject to and in accordance with the rules and regulations prescribed by the Committee in accordance with Section 7. For the purposes of this Section 17, "Immediate Family" means, with respect to a particular participant, such participant's spouse, children and grandchildren.

Notwithstanding the foregoing, each Award (other than restricted stock) granted hereunder to a participant who is an "insider" pursuant to Section 16 of the 1934 Act ("Section 16 participant") shall not be assignable or transferable other than by will or the laws of descent and distribution unless the Committee has determined that such restrictions are not then required for grants under this Plan to satisfy the requirements for the exemption provided by Rule 16b-3 under the 1934 Act (in the form then applicable to the Company), in which event the restrictions set forth in clause (c) of the preceding paragraph shall apply to any such transfer. Notwithstanding the foregoing, a Section 16 participant may, in a manner specified by the Committee and to the extent provided by this Plan, designate a beneficiary to exercise an Award after the participant's death.

Each share of restricted stock shall be non-transferable until such share becomes nonforfeitable.

18. CHANGE IN CONTROL. Notwithstanding any provisions in this Plan to the contrary, but subject to the last sentence of this Section 18, if there occurs any event that results in a Change in Effective Control of the Company, then all of the Awards outstanding under the Plan shall automatically become vested in the Award recipient upon the consummation of such event. As used herein, "Change in Effective Control" means any one or more of the following: (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 the Company entitled to vote for the election of directors; (ii) a majority of the Board of Directors of the Company is replaced within any period of two (2) years or less by directors not nominated and approved by a majority of the Directors in office at the beginning of such period (or their successors so nominated and approved), or a majority of the Board of Directors at any date consists of persons not so nominated and approved; or (iii) the stockholders of the Company approve an agreement to merge or consolidate with another corporation or an agreement to sell or otherwise dispose of all or substantially all of the Company's assets (including without limitation, a plan of liquidation). Provided, however, the other provisions of this Section 18 notwithstanding, the term "Change in Control" shall not mean any transaction, merger, consolidation, or reorganization in which Consolidated or CSC exchange or offer to exchange newly issued or treasury shares in an

amount of 20% or more, but less than 50%, of the outstanding equity securities of Consolidated or 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 CSC or an Affiliate thereof (the "Acquired Corporation"), or for all or substantially all of the assets of the Acquired Corporation.

19. SECTION 83(B) ELECTION. The Committee may prohibit a participant from making an election under Section 83(b) of the Code. If the Committee has not prohibited such election, and if the participant elects to include in such participant's gross income in the year of transfer the amounts specified in Section 83(b) of the Code, the participant shall notify the Company of such election within ten (10) days of filing notice of the election with the Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under the authority of Section 83(b) of the Code.

20. NOTICE OF DISPOSITION OF COMMON STOCK PRIOR TO THE EXPIRATION OF SPECIFIED ISO HOLDING PERIODS. The Company may require that a participant exercising an ISO give a written representation to the Company, satisfactory in form and substance, upon which the Company may rely, that the participant will report to the Company any disposition of shares acquired via an ISO exercise prior to the expiration of the holding periods specified by Section 422(a)(1) of the Code.

21. TAX WITHHOLDING. The Company shall have the right to (i) make deductions from any settlement of an Award made under the Plan, including the delivery or vesting of shares, or require shares or cash or both be withheld from any Award, in each case in an amount sufficient to satisfy withholding of any federal, state or local taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such withholding obligations. The Committee may determine the manner in which such tax withholding may be satisfied, and may permit shares of Common Stock (rounded up to the next whole number) to be used to satisfy required tax withholding based on the Fair Market Value of any such shares of Common Stock, as of the Settlement Date of the applicable Award.

22. OTHER COMPANY BENEFIT AND COMPENSATION PROGRAMS. Except as expressly determined by the Committee, settlements of Awards received by participants under this program shall not be deemed a part of a participant's regular, recurring compensation for purposes of calculating payments or benefits from any Company benefit or severance program (or parachute impact severance pay law of any country). The above notwithstanding, the Company may adopt other compensation programs, programs or arrangements as it deems appropriate or necessary in its absolute discretion.

23. GENERAL PROVISIONS. The following provisions are applicable to the Plan generally:

23.1 Future Rights. No person shall have any claim or rights to be awarded an option under the Plan, and no option holder shall have any rights under the Plan to be retained in the employ of the Company.

23.2 Stockholder Rights. Only upon the issuance of shares to a participant or its agent (and only in respect to such shares) shall the participant obtain the rights of stockholders, subject however, to any limitations imposed by the terms of the applicable option.

23.3 No Fractional Shares. No fractional shares shall be issued under the Plan and cash shall be paid in lieu of any fractional shares in settlement of stock options exercised under the Plan.

23.4 Unfunded Plan. The Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. Likewise, the Plan shall not establish any fiduciary relationship between the Company and any participant or other person. To the extent any person holds any rights by virtue of an option awarded under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.

23.5 Successors and Assigns. The Plan shall be binding on all successors and assigns of a participant, including, without limitation, the estate of such participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the participant's creditors.

23.6 Indemnification of Committee and Agents. In addition to such other rights of indemnification as they may have as members of the Board, the members of the Committee, and any employees or directors acting as agents of, or carrying out the intentions of, the Committee shall be indemnified by the Corporation against the reasonable expenses, including attorney's fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a part by reason of any action taken or failure to act under or in connection with the Plan or any Option or SAR, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Corporation) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such member is liable for negligence or misconduct in the performance of the participant's duties; provided that within sixty (60) days after institution of any such action, suit or proceeding the member shall in writing offer the Corporation the opportunity, at its own expense, to handle and defend the same.

23.7 Plan Amendment. The Committee may amend the Plan as it deems necessary or appropriate to better achieve the purposes of the Plan, except that no amendment without the approval of the Company's stockholders shall be made which would:

(a) Increase the total number of shares available for issuance under the Plan (subject to the Committee's discretion provided for in Section 4); or

(b) Cause the Plan not to comply with Rule 16b-3 or any successor rule under the 1934 Act.

23.8 Governing Law. The validity, construction and effect of the Plan and any actions taken under or relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable Federal law.

Amended and restated this 23rd day of July, 1996.

Consolidated Stores Corporation

/s/ William G. Kelley

Chairman and Chief Executive Officer

Attest:

/s/ Albert J. Bell
- ---
Senior Vice President, General Counsel
and Secretary

EXHIBIT 10(d)

$600,000,000 REVOLVING CREDIT FACILITY

AMENDED AND RESTATED CREDIT AGREEMENT
by and among

CONSOLIDATED STORES CORPORATION, an Ohio corporation, as Borrower
and

THE BANKS PARTY HERETO
and

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

NATIONAL CITY BANK OF COLUMBUS, As Administrative Agent and Managing Agent
and
PNC BANK, OHIO, NATIONAL ASSOCIATION, As Arranger, Documentation Agent and Managing Agent

and

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

NATIONAL CITY BANK, as Managing Agent
DATED AS OF MAY 3, 1996

EXHIBIT 10(d)

EXHIBIT 10(d)

EXHIBIT 10(d)

EXHIBIT 10(d)

EXHIBIT 10(d)

EXHIBIT 10(d)

EXHIBIT 10(d)

LIST OF SCHEDULES AND EXHIBITS

SCHEDULE

SCHEDULE 1.1(B)	-	COMMITMENTS OF BANKS
SCHEDULE 1.1(P)	-	PERMITTED LIENS
SCHEDULE 2.9.1	-	ROLLOVER LCS
SCHEDULE 5.1.1	-	SUBSIDIARIES
SCHEDULE 5.1.3	-	SUBSIDIARY MATTERS
SCHEDULE 5.1.13	-	CONSENTS AND APPROVALS
SCHEDULE 5.1.18	-	MATERIAL CONTRACTS
SCHEDULE 5.1.20	-	EMPLOYEE BENEFIT PLAN DISCLOSURES
SCHEDULE 5.1.22	-	ENVIRONMENTAL DISCLOSURES
SCHEDULE 7.2.1	-	EXISTING INDEBTEDNESS
SCHEDULE 7.2.4	-	LOANS AND INVESTMENTS

EXHIBITS

EXHIBIT 1.1(A)	-	FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT
EXHIBIT 1.1(G)(2)	-	FORM OF MASTER GUARANTY AGREEMENT
EXHIBIT 1.1(I)(1)	-	FORM OF INTERCOMPANY NOTE
EXHIBIT 1.1(I)(2)	-	FORM OF MASTER INTERCOMPANY SUBORDINATION AGREEMENT
EXHIBIT 1.1(R)	-	FORM OF REVOLVING CREDIT NOTE
EXHIBIT 1.1(S)(1)	-	FORM OF SWING LOAN NOTE
EXHIBIT 2.5	-	FORM OF LOAN REQUEST
EXHIBIT 2.10.5	-	FORM OF SWING LOAN REQUEST
EXHIBIT 6.1.4	-	OPINION OF COUNSEL
EXHIBIT 7.3.3	-	FORM OF COMPLIANCE CERTIFICATE

EXHIBIT 10(d)

AMENDED AND RESTATED CREDIT AGREEMENT

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

WITNESSETH:

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

WHEREAS, the Banks which executed a Credit Agreement dated as of May 3, 1996 provided a revolving credit facility not to exceed $600,000,000; and

WHEREAS, such revolving credit facility was used to fund a portion of the Borrower's acquisition of Kay-Bee Center, Inc., which acquisition was consummated on May 5, 1996, and for certain other general corporate purposes (including working capital);

WHEREAS, the May 3, 1996 revolving credit facility anticipated that the Borrower would sell in an underwritten public offering at least $100,000,000 of its common stock to the public and the Borrower has completed an underwritten public offering of approximately $200,000,000 of its common stock;

WHEREAS, the May 3, 1996 revolving credit facility anticipated that the Managing Agents would syndicate a substantial portion of their commitments to other banks and the Managing Agents have completed such syndication; and

WHEREAS, the Banks are willing to provide a credit facility in an aggregate principal amount of $600,000,000 upon the terms and conditions hereinafter set forth;

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

1. CERTAIN DEFINITIONS

1.1 Certain Definitions.

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

ACQUISITION shall mean the acquisition on May 5, 1996 (the "Acquisition Date") of 100% of the common stock of Kay-Bee Center, Inc. by the Borrower from Melville Corporation pursuant to that certain Stock Purchase Agreement (the "Stock Purchase Agreement") dated as of March 25, 1996, as amended as of May 3, 1996, between the Company and Melville Corporation.

ACQUISITION DATE shall have the meaning assigned to that term in the definition of the term "Acquisition".

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

ADMINISTRATIVE AGENT'S FEE shall have the meaning assigned to that term in Section 9.15.

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

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

ANNUAL STATEMENTS shall have the meaning assigned to that term in Section 5.1.9(i).

APPLICABLE DOCUMENTARY ACCEPTED TIME DRAFT LC PERCENTAGE shall have the meaning assigned to that term in Section 2.9.3.1..

APPLICABLE DOCUMENTARY LC PERCENTAGE shall have the meaning assigned to that term in Section 2.9.3.1..

APPLICABLE STANDBY LC PERCENTAGE shall have the meaning assigned to that term in Section 2.9.3.2.

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

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

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

BASE RATE shall mean the greater of (i) the interest rate per annum announced from time to time by National City Bank at its Principal Office as its then prime rate, which rate may not be the lowest rate then being charged commercial borrowers by National City Bank, or (ii) the Federal Funds Effective Rate plus 1/2% per annum.

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

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

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

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

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

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

CAPITALIZED LEASE shall mean any lease of Property by a Person as lessee which is a capital lease in accordance with GAAP. CLOSING DATE shall mean May 3, 1996. The closing shall take place at 10:00 a.m., Pittsburgh time, on the Closing Date at the offices of Buchanan Ingersoll Professional Corporation, Pittsburgh, Pennsylvania, or at such other time and place as the parties agree.

COMMITMENT FEE shall have the meaning assigned to that term in Section 2.3.

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

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

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

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

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

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

CONSOLIDATED TANGIBLE NET WORTH shall mean as of any date of determination total stockholders' equity less intangible assets of the Company and its Subsidiaries as of such date determined and consolidated in accordance with GAAP.

DOCUMENTARY LETTER OF CREDIT shall have the meaning assigned to that term in Section 2.9.1.

DOCUMENTARY LETTER OF CREDIT OUTSTANDINGS shall mean at any time the sum of (i) the aggregate undrawn face amount of outstanding Documentary Letters of Credit (which excludes Documentary Letter of Credit of (Time Draft) Outstandings) and (ii) without duplication, the aggregate amount of all unpaid and outstanding Reimbursement Obligations relating to Documentary Letters of Credit.

DOCUMENTARY LETTER OF CREDIT (TIME DRAFT) OUTSTANDINGS shall mean at any time the aggregate face amount of all drafts outstanding under any Documentary Letters of Credit which the applicable Issuing Letter of Credit Bank has accepted for payment, but has not yet paid, because such drafts are payable at a later date that has not yet occurred.

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

DOLLAR, DOLLARS, U.S. DOLLARS and the symbol $ shall mean lawful money of the United States of America.

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

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

ENVIRONMENTAL LAWS shall mean all federal, state, local and foreign Laws and regulations, including permits, licenses, authorizations, bonds, orders, judgments, and consent decrees issued, or entered into, pursuant thereto, relating to pollution or protection of human health or the environment or employee safety in the workplace.

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

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

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

$$\text{Euro-Rate} = \frac{\text{Average of London interbank offered rates on LIBO page of Reuters Monitor Money RATE SERVICE OR APPROPRIATE SUCCESSOR}}{\text{1.00 - Euro-Rate Reserve Percentage}}$$

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

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

EVENT OF DEFAULT shall mean any of the events described in Section 8.1.

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

EXISTING BANK FACILITY shall have the meaning ascribed thereto in Section 2.8.

EXPIRATION DATE shall mean May 3, 1999.

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

FINANCIAL PROJECTIONS shall have the meaning assigned to that term in Section 5.1.9(ii).

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

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

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

GOVERNMENTAL ACTS shall have the meaning assigned to that term in Section 2.9.8.

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

GUARANTOR JOINDER shall mean a joinder to the Master Guaranty Agreement as provided in the Master Guaranty Agreement.

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

HISTORICAL STATEMENTS shall have the meaning assigned to that term in Section 5.1.9(i).

INDEBTEDNESS shall mean, as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations (contingent or otherwise) under any letter of credit, currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device, (iv) any other transaction (including forward sale or purchase agreements, capitalized leases (but not operating leases) and conditional sales agreements)

having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables, trade credits and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness and which are not more than thirty (30) days past due), or (v) any Guaranty of Indebtedness for borrowed money. For purposes only of determining the ratio of total indebtedness to total capitalization in Section 7.2.17, the Seller Note shall be excluded from the term "Indebtedness" used in such section.

INTERCOMPANY LOANS shall mean loans made by one Loan Party to one or more other Loan Parties or their Subsidiaries and, in the case of loans between the Borrower and the Material Subsidiaries, evidenced by intercompany notes (the "Intercompany Notes") in the form attached hereto as Exhibit 1.1(I)(1).

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

INTEREST PAYMENT DATE shall mean each date specified for the payment of interest in Section 4.3.

INTEREST PERIOD shall have the meaning assigned to such term in Section 3.2.

INTEREST RATE OPTION shall mean any Revolving Credit Euro-Rate Option or Revolving Credit Base Rate Option.

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

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

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

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

LETTER OF CREDIT shall have the meaning assigned to that term in Section 2.9.1.

LETTER OF CREDIT OUTSTANDINGS shall mean at any time the sum of (i) the Documentary Letter of Credit Outstandings, (ii) the Standby Letter of Credit Outstandings, (iii) the Documentary Letter of Credit (Time Draft) Outstandings and (iv) without duplication, the aggregate amount of all unpaid and outstanding Reimbursement Obligations.

LETTERS OF CREDIT FEES shall have the meaning assigned to that term in Section 2.9.3.

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

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

LOAN PARTIES shall mean the Borrower and the Guarantors.

LOAN REQUEST shall have the meaning ascribed thereto in Section 2.5.

MANAGING AGENTS shall mean all of the financial institutions identified as a Managing Agent on the first page hereof, each of which is referred to herein as a "Managing Agent", and their successors and assigns, in their capacity as Managing Agents.

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

MASTER INTERCOMPANY SUBORDINATION AGREEMENT shall mean a subordination agreement among the Loan Parties in the form attached hereto as EXHIBIT 1.1(I)(2).

MATERIAL ADVERSE CHANGE shall mean any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Agreement or any other Loan Document, (b) is or could reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations or prospects of the Loan Parties and their Subsidiaries taken as a whole, (c) impairs materially or could reasonably be expected to impair materially the ability of the Loan Parties and their Subsidiaries taken as a whole to duly and punctually pay or

perform their Indebtedness, or (d) impairs materially or could reasonably be expected to impair materially the ability of the Documentation Agent or any of the Banks, to the extent permitted, to enforce their legal remedies pursuant to this Agreement or any other Loan Document.

MATERIAL SUBSIDIARY shall mean any of C S Ross Company, an Ohio corporation, CSIC Venture, Inc., a Delaware corporation, K.B. Consolidated, Inc., an Ohio corporation, Kay-Bee Center, Inc., a California corporation, and any Subsidiary of the Borrower (other than CW Kay-Bee, Inc. or Kay-Bee Toy & Hobby Shops, Inc.) having at least 10% of the total consolidated assets of the Company and its Subsidiaries or at least 10% of the total consolidated revenues of the Company and its Subsidiaries for the 12-month period ending on the last day of the most recent fiscal quarter of the Company.

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

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

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

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

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

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

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

PERMITTED INVESTMENTS shall mean:

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

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

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

PERMITTED LIENS shall mean:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PURCHASE MONEY SECURITY INTEREST shall mean Liens upon real or personal property securing loans to any Loan Party or Subsidiary of a Loan Party or deferred payments by such Loan Party or Subsidiary for the purchase of such property.

PURCHASING BANK shall mean a Bank which becomes a party to this Agreement by executing an Assignment and Assumption Agreement. RATABLE SHARE shall mean the proportion that a Bank's Revolving Credit Commitment bears to the Revolving Credit Commitments of all of the Banks.

REGULATED SUBSTANCES shall mean any substance including any solid, liquid, semisolid, gaseous, thermal, thoriated or radioactive material, refuse, garbage, wastes, chemicals, petroleum products, by-products and coproducts, impurities, dust, scrap, and heavy metals defined as a "hazardous substance," "pollutant," "pollution," "contaminant," "hazardous or toxic substance," "extremely hazardous substance," "toxic chemical," "toxic waste," "hazardous waste," "industrial waste," "residual waste," "solid waste," "municipal waste," "mixed waste," "infectious waste," "chemotherapeutic waste," "medical waste," or "regulated substance" or any related materials, substances or wastes as now or hereafter defined pursuant to any Environmental Laws, ordinances, rules, regulations or other directives of any Official Body, the generation, manufacture, extraction, processing, distribution, treatment, storage, disposal, transport, recycling, reclamation, use, reuse, spilling, leaking, dumping, injection, pumping, leaching, emptying, discharge, escape, release or other management or mismanagement of which is regulated by the Environmental Laws.

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

REIMBURSEMENT OBLIGATION shall have the meaning assigned to such term in Section 2.9.4.

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

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

REVOLVING CREDIT BASE RATE OPTION shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(i).

REVOLVING CREDIT COMMITMENT shall mean, as to any Bank at any time the amount initially set forth opposite its name on SCHEDULE 1.1(B) in the column labeled "Revolving Credit Commitment" and thereafter on Schedule I to the most recent Assignment and Assumption Agreement, as the same may have been reduced in accordance with Section 2.4 and REVOLVING CREDIT COMMITMENTS shall mean the aggregate Revolving Credit Commitments of all of the Banks.

REVOLVING CREDIT EURO-RATE OPTION shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(ii).

REVOLVING CREDIT EURO-RATE SPREAD shall have the meaning given to such term in Section 3.1.1(ii).

REVOLVING CREDIT LOANS shall mean collectively and REVOLVING CREDIT LOAN shall mean separately all loans or any loan made by the Banks or one of the Banks to the Borrower pursuant to Section 2.1 or 2.9.4.

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

REVOLVING FACILITY USAGE shall mean at any time the sum of the Revolving Credit Loans outstanding, the Swing Loans outstanding and the Letter of Credit Outstandings.

ROLLOVER LCS shall mean those letters of credit identified on Schedule hereof which were issued by the Issuing Letter of Credit Banks prior to the date hereof upon the application of the Borrower or one of its Subsidiaries.

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

SETTLEMENT DATE shall have the meaning assigned thereto in Section 2.10.5.

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

STANDBY LETTER OF CREDIT shall have the meaning assigned to that term in Section 2.9.1.

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

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

SUBSIDIARY SHARES shall have the meaning assigned to that term in Section 5.1.3.

SWING LENDER shall mean National City Bank of Columbus.

SWING LOAN COMMITMENT shall mean the Swing Lender's commitment to make Swing Loans to the Borrower pursuant to Section 2.10 in an aggregate principal amount up to but not in excess of $30,000,000.

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

SWING LOAN REQUEST shall mean a request for Swing Loans made in accordance with Section 2.10.

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

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

SYNDICATION DATE shall mean June 28, 1996.

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

1.2 CONSTRUCTION.

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

1.2.1 NUMBER; INCLUSION.

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

1.2.2 DETERMINATION.

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

1.2.3 DOCUMENTATION AGENT'S DISCRETION AND CONSENT.

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

1.2.4 DOCUMENTS TAKEN AS A WHOLE.

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

1.2.5 HEADINGS.

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

1.2.6 IMPLIED REFERENCES TO THIS AGREEMENT.

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

1.2.7 PERSONS.

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

1.2.8 MODIFICATIONS TO DOCUMENTS.

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

1.2.9 FROM, TO AND THROUGH.

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

1.2.10 SHALL; WILL.

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

1.2.11 OPERATIVE DATE.

All references herein to representations, warranties and information being as of the date hereof or the Closing Date shall be as of May 3, 1996 (or for representations, warranties and information relating to the Acquisition and the Subsidiaries acquired thereby, as of May 5, 1996).

1.3 ACCOUNTING PRINCIPLES.

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

2. REVOLVING CREDIT FACILITY

2.1 REVOLVING CREDIT COMMITMENTS.

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

2.2 NATURE OF BANKS' OBLIGATIONS WITH RESPECT TO REVOLVING CREDIT LOANS.

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

2.3 COMMITMENT FEES.

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

FIXED CHARGE COVERAGE RATIO	APPLICABLE COMMITMENT PERCENTAGE (RATE PER ANNUM)
greater than or equal to 2.20 to 1.00	0.175%
greater than or equal to 2.05 to 1.00 but less than 2.20 to 1.00	0.200%
greater than or equal to 1.90 to 1.00 but less than 2.05 to 1.00	0.225%
greater than or equal to 1.75 to 1.00 but less than 1.90 to 1.00	0.250%
less than 1.75 to 1.00	0.375%

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

Until the Borrower shall have delivered to the Administrative Agent a Compliance Certificate covering the four fiscal periods ending on the Saturday nearest April 30, 1997, the Fixed Charge Coverage Ratio shall be deemed to be 1.75 to 1.00. For each fiscal quarter subsequent to May 3, 1997, the Fixed Charge Coverage Ratio shall be computed based on the Compliance Certificate for such quarter. Any change in the Fixed Charge Coverage Ratio (and the Applicable Commitment Percentage) shall be effective on the date on which the Compliance Certificate evidencing the computation of such Fixed Charge Coverage Ratio is delivered to the Administrative Agent; provided, however, that if the Compliance Certificate evidencing the computation of the Fixed Charge Coverage Ratio is not delivered on the date on which such Compliance Certificate is due to be delivered under Section, the Fixed Charge Cov-

erage Ratio on and after the date on which such Compliance Certificate is due to be delivered under Section 7.3.3 and until the date on which such Compliance Certificate is delivered to the Administrative Agent shall be deemed to be less than 1.75 to 1.00 and the Applicable Commitment Percentage for such period computed accordingly.

2.4 REDUCTION OF REVOLVING CREDIT COMMITMENTS.

2.4.1 VOLUNTARY REDUCTION OF REVOLVING CREDIT COMMITMENTS.

The Borrower shall have the right at any time and from time to time upon not less than three (3) Business Days' prior written notice to the Banks to permanently reduce, in whole multiples of $10,000,000, or terminate the Revolving Credit Commitments without penalty or premium, except as hereinafter set forth, provided that any such reduction or termination shall be accompanied by (a) the payment in full of any Commitment Fee then accrued on the amount of such reduction or termination and (b) prepayment of the Revolving Credit Notes, together with the full amount of interest accrued on the principal sum to be prepaid (and all amounts referred to in Section 4.6) and the Borrower shall deposit in a non-interest bearing account (provided that with the consent of the Issuing Letter of Credit Banks and the Administrative Agent, such consent not to be unreasonably withheld, such account may be an interest bearing account) with the Administrative Agent, as cash collateral for its Obligations in respect of the Letters of Credit and related applications and agreements, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrower hereby pledges to the Administrative Agent and the Banks, and grants to the Administrative Agent and the Banks a security interest in, all such cash as security for such Obligations, to the extent that the Revolving Facility Usage then exceeds the Revolving Credit Commitments as so reduced or terminated. From time to time the Administrative Agent shall return to the Borrower any excess of the amount held in such account over the amount by which the Revolving Facility Usage then exceeds the Revolving Credit Commitments. From the effective date of any such reduction or termination, the obligations of Borrower to pay the Commitment Fee pursuant to Section 2.3 shall correspondingly be reduced or cease.

2.4.2 MANDATORY REDUCTION OF REVOLVING CREDIT COMMITMENTS.

The Revolving Credit Commitments shall be permanently reduced, with respect to sales, transfers or leases permitted to be made pursuant to Section 7.2.7(iv), to the extent that the aggregate after-tax net cash proceeds (including without limitation cash, as and when collected, pursuant to any notes or other securities received as consideration for such sale, transfer or lease), as reasonably estimated by the Borrower, of all such sales, transfers or leases on and after the date hereof are in excess of $25,000,000 and each Bank's Revolving Credit Commitment shall be reduced by its Ratable Share of each such reduction in the Revolving Credit Commitments.

2.5 REVOLVING CREDIT LOAN REQUESTS.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request the Banks to make Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Revolving Credit Loans pursuant to Section 3.2, by delivering to the Administrative Agent, not later than 2:00 p.m., Columbus, Ohio time, (i) three (3) Business Days prior to the proposed Borrowing Date with respect to the making of Revolving Credit Loans to which the Revolving Credit Euro-Rate Option applies or the conversion to or the renewal of the Revolving Credit Euro-Rate Option for any Revolving Credit Loans; and (ii) one (1) Business Day prior to either the proposed Borrowing Date with respect to the making of a Revolving Credit Loan to which the Revolving Credit Base Rate Option applies or the last day of the preceding Interest Period with respect to the conversion to the Revolving Credit Base Rate Option for any Revolving Credit Loan, of a duly completed request therefor substantially in the form of EXHIBIT 2.5 or a request by telephone immediately confirmed in writing by letter, facsimile or telex in such form (each, a "Loan Request"), it being understood that the Administrative Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify (i) the proposed Borrowing Date; (ii) the aggregate amount of the proposed Revolving Credit Loans comprising each Borrowing Tranche, which shall be in integral multiples of $1,000,000 and not less than $5,000,000 for each Borrowing Tranche to which the Revolving Credit Euro-Rate Option applies and not less than the lesser of $5,000,000 or the maximum amount available for Borrowing Tranches to which the Revolving Credit Base Rate Option applies; (iii) whether the Revolving Credit Euro-Rate Option or Revolving Credit Base Rate Option shall apply to the proposed Revolving Credit Loans comprising the applicable Borrowing Tranche; and (iv) in the case of a Borrowing Tranche to which the Revolving Credit Euro-Rate Option applies, an appropriate Interest Period for the proposed Revolving Credit Loans comprising such Borrowing Tranche.

2.6 MAKING REVOLVING CREDIT LOANS.

The Administrative Agent shall, promptly after receipt by it of a Loan Request pursuant to Section 2.5, notify the Banks of its receipt of the related Loan Request specifying: (i) the proposed Borrowing Date of such Revolving Credit Loans; (ii) the amount and type of each such Revolving Credit Loan and the applicable Interest Period (if any); and (iii) the apportionment among the Banks of such Revolving Credit Loans as determined by the Administrative Agent in accordance with Section 2.2. Each Bank shall remit the principal amount of each Revolving Credit Loan to the Administrative Agent such that the Administrative Agent is able to, and the Administrative Agent shall, to the extent the Banks have made funds available to it for such purpose, fund such Revolving Credit Loans to the Borrower in Dollars and immediately available funds at the Principal Office prior to 2:00 p.m., Columbus, Ohio time, on the applicable Borrowing Date, PROVIDED that if the Administrative Agent assumes pursuant to Section 9.16 that a Bank will make available to the Administrative Agent such Bank's portion of a Revolving Credit Loan and such Bank fails to remit such funds to the Administrative Agent in a timely manner, the Administrative Agent may elect in its sole discretion to fund with its own funds the Revolving Credit Loans of such Bank on such Borrowing Date, and such Bank shall be subject to the repayment obligation in Section 9.16.

2.7 REVOLVING CREDIT NOTES.

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

2.8 USE OF PROCEEDS.

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

2.9 LETTERS OF CREDIT SUBFACILITY.

2.9.1 ISSUANCE OF LETTERS OF CREDIT.

Borrower or a Material Subsidiary may request the issuance of (or modification of any issued) commercial letters of credit in connection with the Borrower's or Subsidiary of the Borrower's purchase of goods and services (each a "Documentary Letter of Credit") and standby letters of credit for the benefit of workmen's compensation or liability insurers, state and federal agencies to assure compliance with applicable Laws and other Persons in support of refund, warranty or other obligations of the Borrower or a Subsidiary of the Borrower (each a "Standby Letter of Credit" and together with Documentary Letters of Credit referred to as "Letters of Credit" in the aggregate or individually as a "Letter of Credit") on behalf of itself or another Loan Party by delivering by no later than 10:00 a.m., Columbus, Ohio time, two (2) Business Days in the case of a Documentary Letter of Credit and three (3) Business Days in case of a Standby Letter of Credit prior to the requested date of issuance of such Letter of Credit to the applicable Issuing Letter of Credit Bank with a copy to the Administrative Agent a written notice specifying the proposed beneficiary, date of issuance and expiry date for such Letter of Credit or modification to an existing Letter of Credit and the nature of the transactions to be supported thereby. Subject to the terms and conditions hereof and to the execution of a completed application and agreement for letters of credit in such form as the applicable Issuing Letter of Credit Bank may specify from time to time and in reliance on the agreements of the Banks set forth in this Section 2.9, such Issuing Letter of Credit Bank will issue a Letter of Credit provided that each Letter of Credit shall (A) have a maximum maturity of 364 days from the date of issuance, (B) in no event expire later than five Business Days prior to the Expiration Date and provided further that in no event shall (i) the Letter of Credit Outstandings exceed, at any one time, $200,000,000 or (ii) the Revolving Facility Usage exceed, at any one time, the Revolving Credit Commitments. Each of the Rollover LCs listed on SCHEDULE 2.9.1 shall be deemed to have been issued hereunder on the Closing Date by the applicable Issuing Letter of Credit Bank upon the request of the Borrower or a Material Subsidiary as indicated on SCHEDULE 2.9.1 as a Documentary Letter of Credit or Standby Letter of Credit, as the case may be, and shall be deemed to be a Letter of Credit for all purposes of this Agreement. In the event of any conflict between the terms of this Agreement and the terms of any Issuing Letter of Credit Bank's application and agreement for letters of credit, the terms of this Agreement shall control (provided that terms of any Issuing Letter of Credit Bank's application and agreement for letters of credit which are in addition to those contained herein and which do not expressly conflict with the terms contained herein shall not be deemed to be in conflict with this Agreement).

2.9.2 PARTICIPATIONS.

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

2.9.3 LETTER OF CREDIT FEES.

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

2.9.3.1 DOCUMENTARY LETTER OF CREDIT FEES.

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

FIXED CHARGE COVERAGE RATIO	APPLICABLE DOCUMENTARY LC PERCENTAGE (RATE PER ANNUM)
greater than or equal to 2.20 to 1.00	0.250%
greater than or equal to 2.05 to 1.00 but less than 2.20 to 1.00	0.3125%
greater than or equal to 1.90 to 1.00 but less than 2.05 to 1.00	0.375%
greater than or equal to 1.75 to 1.00 but less than 1.90 to 1.00	0.500%
less than 1.75 to 1.00	0.625%

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

FIXED CHARGE COVERAGE RATIO	APPLICABLE DOCUMENTARY ACCEPTED TIME DRAFT LC PERCENTAGE (RATE PER ANNUM)
greater than or equal to 2.20 to 1.00	0.500%
greater than or equal to 2.05 to 1.00 but less than 2.20 to 1.00	0.625%
greater than or equal to 1.90 to 1.00 but less than 2.05 to 1.00	0.750%
greater than or equal to 1.75 to 1.00 but less than 1.90 to 1.00	1.000%
less than 1.75 to 1.00	1.250%

Until the Borrower shall have delivered to the Administrative Agent a Compliance Certificate covering the four fiscal periods ending on the Saturday nearest April 30, 1997, the Fixed Charge Coverage Ratio shall be deemed to be 1.75 to 1.00. For each fiscal quarter subsequent to May 3, 1997, the Fixed Charge Coverage Ratio shall be computed based on the Compliance Certificate for such quarter. Any change in the Fixed Charge Coverage Ratio (and the Applicable Documentary LC Percentage and the Applicable Documentary Accepted Time Draft LC Percentage) shall be effective on the date on which the Compliance Certificate evidencing the computation of such Fixed Charge Coverage Ratio is delivered to the Administrative Agent; provided, however, that if the Compliance Certificate evidencing the computation of the Fixed Charge Coverage Ratio is not delivered on the date on which such Compliance Certificate is due to be delivered under Section 7.3.3, the Fixed Charge Coverage Ratio on and after the date on which such Compliance Certificate is due to be delivered under Section 7.3.3 and until the date on which such Compliance Certificate is delivered to the Administrative Agent shall be deemed to be less than 1.75 to 1.00 and the Applicable Documentary LC Percentage and the Applicable Documentary Accepted Time Draft LC Percentage for such period computed accordingly.

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

2.9.3.2 STANDBY LETTER OF CREDIT FEES.

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

age daily Standby Letter of Credit Outstandings. The Applicable Standby LC Percentage shall be determined as follows:

FIXED CHARGE COVERAGE RATIO	APPLICABLE STANDBY LC PERCENTAGE (RATE PER ANNUM)
greater than or equal to 2.20 to 1.00	0.500%
greater than or equal to 2.05 to 1.00 but less than 2.20 to 1.00	0.625%
greater than or equal to 1.90 to 1.00 but less than 2.05 to 1.00	0.750%
greater than or equal to 1.75 to 1.00 but less than 1.90 to 1.00	1.000%
less than 1.75 to 1.00	1.250%

Until the Borrower shall have delivered to the Administrative Agent a Compliance Certificate covering the four fiscal periods ending on the Saturday nearest April 30, 1997, the Fixed Charge Coverage Ratio shall be deemed to be 1.75 to 1.00. For each fiscal quarter subsequent to May 3, 1997, the Fixed Charge Coverage Ratio shall be computed based on the Compliance Certificate for such quarter. Any change in the Fixed Charge Coverage Ratio (and the Applicable Standby LC Percentage) shall be effective on the date on which the Compliance Certificate evidencing the computation of such Fixed Charge Coverage Ratio is delivered to the Administrative Agent; provided, however, that if the Compliance Certificate evidencing the computation of the Fixed Charge Coverage Ratio is not delivered on the date on which such Compliance Certificate is due to be delivered under Section 7.3.3, the Fixed Charge Coverage Ratio on and after the date on which such Compliance Certificate is due to be delivered under Section 7.3.3 and until the date on which such Compliance Certificate is delivered to the Administrative Agent shall be deemed to be less than 1.75 to 1.00 and the Applicable Standby LC Percentage for such period computed accordingly.

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

2.9.4 DISBURSEMENTS, REIMBURSEMENT.

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

2.9.5 DOCUMENTATION.

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

2.9.6 DETERMINATIONS TO HONOR DRAWING REQUESTS.

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

2.9.7 NATURE OF PARTICIPATION AND REIMBURSEMENT OBLIGATIONS.

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

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

(i) any lack of validity or enforceability of any Letter of Credit;

(ii) the existence of any claim, set-off, defense or other right which any Loan Party or any Bank may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), such Issuing Letter of Credit Bank or any Bank or any other Person or whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Loan Party or Subsidiaries of a Loan Party and the beneficiary for which any Letter of Credit was procured);

(iii) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect even if such Issuing Letter of Credit Bank has been notified thereof;

(iv) payment by such Issuing Letter of Credit Bank under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(v) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Loan Party or Subsidiaries of a Loan Party;

(vi) any breach of this Agreement or any other Loan Document by any party thereto;

(viii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing;

(ix) the fact that an Event of Default or a Potential Default shall have occurred and be continuing; and

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

2.9.8 INDEMNITY.

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

2.9.9 LIABILITY FOR ACTS AND OMISSIONS.

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

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

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

2.10 SWING LOANS.

2.10.1 SWING LOAN COMMITMENT.

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, and in order to facilitate loans and repayments in amounts of $30,000,000 or less, the Swing Lender may, at its option, cancelable at any time for any reason whatsoever, make swing loans (the "Swing Loans") to the Borrower at any time or from time to time after the date hereof to, but not including, the Expiration Date, in an aggregate principal amount up to the Swing Loan Commitment, subject to reduction as provided herein and to be made in accordance with the following provisions. The Swing Lender may in its discretion make Swing Loans provided that the aggregate principal amount of the Swing Loans and the Revolving Credit Loans of all of the Banks at any one time outstanding plus the Letter of Credit Outstandings shall not exceed the Revolving Credit Commitments. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.10.

2.10.2 SWING LOAN REQUESTS.

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

2.10.3 MAKING OF SWING LOANS.

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

2.10.4 SWING NOTE.

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

2.10.5 REPAYMENT OF SWING LOANS WITH REVOLVING CREDIT LOANS BORROWINGS.

The Swing Lender may at its option, exercisable at any time for any reason whatsoever, and shall no later than the fifth (5th) Business Day following the making of a Swing Loan if the outstanding Swing Loans exceed $15,000,000 on such date (a "Settlement Date"), demand repayment of all Swing Loans (or at the Swing Lender's option, such portion of the outstanding Swing Loans which results in the aggregate of such Swing Loans not exceeding $15,000,000), and each Bank shall make a Revolving Credit Loan in an amount equal to such Bank's Ratable Share of the aggregate principal amount of the outstanding Swing Loans for which repayment is demanded, plus, if the Swing Lender so requests, accrued interest thereon, provided that no Bank shall be obligated in any event to make

Revolving Credit Loans in excess of its Revolving Credit Commitment less its Ratable Share of Letter of Credit Outstandings. In that event, such Revolving Credit Loans shall bear interest at the Base Rate Option and shall be deemed to have been properly requested in accordance with Section 2.5 without regard to any of the requirements of that provision. The Swing Lender shall provide notice to the Administrative Agent (which may be a telephonic or written notice by letter, facsimile or telex) that such Revolving Credit Loans are to be made under this Section 2.10.5; the Administrative Agent shall then provide notice to the Banks (which may be a telephonic or written notice by letter, facsimile or telex) that such Revolving Credit Loans are to be made under this Section 2.10.5 and of the apportionment among the Banks, the Banks shall be unconditionally obligated to fund such Revolving Credit Loans (whether or not the conditions specified in Section 6.2 are then satisfied, including, without limitation, the existence or continuance of any Event of Default) by the time the Administrative Agent so requests, which shall not be earlier than 2:00 p.m. Columbus, Ohio, time on the Business Day next succeeding the date the Banks receive such notice from the Administrative Agent; and the Administrative Agent shall promptly deliver the funds it receives from the Banks to the Swing Lender.

3. INTEREST RATES

3.1 INTEREST RATE OPTIONS.

The Borrower shall pay interest in respect of the outstanding unpaid principal amount of the Revolving Credit Loans as selected by it from the Revolving Credit Base Rate Option or Revolving Credit Euro-Rate Option set forth below applicable to the Revolving Credit Loans, it being understood that, subject to the provisions of this Agreement, the Borrower may select different Interest Rate Options and different Interest Periods to apply simultaneously to the Revolving Credit Loans comprising different Borrowing Tranches and may convert to or renew one or more Interest Rate Options with respect to all or any portion of the Revolving Credit Loans comprising any Borrowing Tranche, PROVIDED that there shall not be at any one time outstanding more than eight (8) Borrowing Tranches in the aggregate among all the Revolving Credit Loans. If at any time the designated rate applicable to any Revolving Credit Loan made by any Bank exceeds such Bank's highest lawful rate, the rate of interest on such Bank's Revolving Credit Loan shall be limited to such Bank's highest lawful rate.

3.1.1 REVOLVING CREDIT INTEREST RATE OPTIONS.

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

(i) REVOLVING CREDIT BASE RATE OPTION: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate;

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

FIXED CHARGE COVERAGE RATIO	REVOLVING CREDIT EURO-RATE SPREAD
greater than or equal to 2.20 to 1.00	0.500%
greater than or equal to 2.05 to 1.00 but less than 2.20 to 1.00	0.625%
greater than or equal to 1.90 to 1.00 but less than 2.05 to 1.00	0.750%
greater than or equal to 1.75 to 1.00 but less than 1.90 to 1.00	1.000%
less than 1.75 to 1.00	1.250%

Until the Borrower shall have delivered to the Administrative Agent a Compliance Certificate covering the four fiscal periods ending on the Saturday nearest April 30, 1997, the Fixed Charge Coverage Ratio shall be deemed to be 1.75 to 1.00. For each fiscal quarter subsequent to May 3, 1997, the Fixed Charge Coverage Ratio shall be computed based on the Compliance Certificate for such quarter. Any change in the Fixed Charge Coverage Ratio (and the applicable Revolving Credit Euro-Rate Spread) shall be effective on the date on which the Compliance Certificate evidencing the computation of such Fixed Charge Coverage Ratio is delivered to the Administrative Agent; provided, however, that if the Compliance Certificate evidencing the computation of the Fixed Charge Coverage Ratio is not delivered on the date on which such Compliance Certificate is due to be delivered under Section 7.3.3, the Fixed Charge Coverage Ratio on and after the date on which such Compliance Certificate is due to be delivered under Section 7.3.3 and until the date on which such Compliance Certificate is delivered to the Administrative Agent shall be deemed to be less than 1.75 to 1.00 and the applicable Revolving Credit Euro-Rate Spread for such period computed accordingly.

Swing Loans shall bear interest in accordance with Section 3.1.1(i) [Revolving Credit Base Rate Option] except to the extent that the Swing Lender agrees in writing to a different rate of interest; provided, however, that any Swing Loans with respect to which the Swing Lender demands payment pursuant to Section 2.10.5 shall bear interest on

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

3.2 INTEREST PERIODS.

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

3.2.1 ENDING DATE AND BUSINESS DAY.

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

3.2.2 AMOUNT OF BORROWING TRANCHE.

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

3.2.3 TERMINATION BEFORE EXPIRATION DATE.

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

3.2.4 RENEWALS.

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

3.3 INTEREST AFTER DEFAULT.

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

3.3.1 LETTERS OF CREDIT FEES, INTEREST RATE.

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

3.3.2 OTHER OBLIGATIONS.

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

3.3 ACKNOWLEDGMENT.

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

3.4 EURO-RATE UNASCERTAINABLE.

3.4.1 UNASCERTAINABLE.

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

(i) adequate and reasonable means do not exist for ascertaining such Euro-Rate, or

(ii) a contingency has occurred which materially and adversely affects the London interbank eurodollar market relating to the Euro-Rate, then the Administrative Agent shall have the rights specified in Section 3.4.3.

3.4.2 ILLEGALITY; INCREASED COSTS; DEPOSITS NOT AVAILABLE.

If at any time any Bank shall have determined that:

(i) the making, maintenance or funding of any Revolving Credit Loan to which a Revolving Credit Euro-Rate Option applies has been made impracticable or unlawful by compliance by such Bank in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any Official Body (whether or not having the force of Law), or

(ii) such Revolving Credit Euro-Rate Option will not adequately and fairly reflect the cost to such Bank of the establishment or maintenance of any such Revolving Credit Loan, or

(iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a Revolving Credit Loan to which a Revolving Credit Euro-Rate Option applies, are not available to such Bank with respect to such Revolving Credit Loan in the London interbank market,

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

3.4.3 ADMINISTRATIVE AGENT'S AND BANK'S RIGHTS.

In the case of any event specified in Section 3.4.1, the Administrative Agent shall promptly so notify the Banks and the Borrower thereof, and in the case of a determination specified in Section 3.4.2, such Bank shall promptly so notify the Administrative Agent and endorse a certificate to such notice as to the specific circumstances of such notice, and the Administrative Agent shall promptly send copies of such notice and certificate to the other Banks and the Borrower. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given) the obligation of (A) the Banks, in the case of such notice given by the Administrative Agent in respect of Section 3.4.1, or (B) such Bank, in the case of such notice given by such Bank in respect of Section 3.4.2, to allow the Borrower to select, convert to or renew a Revolving Credit Euro-Rate Option shall be suspended until the Administrative Agent shall have later notified the Borrower, or such Bank shall have later notified the Administrative Agent, of the Administrative Agent's or such Bank's, as the case may be, determination that the circumstances giving rise to such previous determination no longer exist. If at any time the Administrative Agent makes a determination under Section 3.4.1 and the Borrower has previously notified the Administrative Agent of its selection of, conversion to or renewal of a Revolving Credit Euro-Rate Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Revolving Credit Base Rate Option otherwise available with respect to the affected Revolving Credit Loans. If any Bank notifies the Administrative Agent of a determination under Section 3.4.2, the Borrower shall, subject to the Borrower's indemnification Obligations under Section 4.6.2, as to any Revolving Credit Loan of such Bank to which a Revolving Credit Euro-Rate Option applies, on the date specified in such notice convert such Revolving Credit Loan to the Revolving Credit Base Rate Option otherwise available with respect to such Revolving Credit Loan. Absent due notice from the Borrower of conversion, such Revolving Credit Loan shall automatically be converted to the Revolving Credit Base Rate Option otherwise available with respect to such Revolving Credit Loan upon such specified date. Upon any such conversion, the Borrower shall have the right to prepay Revolving Credit Loans in the amount of such Revolving Credit Loan on the date of such conversion without providing the notice otherwise required by Section 4.4.1.

3.5.1 SELECTION OF INTEREST RATE OPTIONS.

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

4. PAYMENTS

4.1 PAYMENTS.

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

4.2 PRO RATA TREATMENT OF BANKS.

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

4.3 INTEREST PAYMENT DATES.

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

4.4 VOLUNTARY PREPAYMENTS.

4.4.1 RIGHT TO PREPAY.

The Borrower shall have the right at its option from time to time to prepay the Revolving Credit Loans and Swing Loans in whole or part without premium or penalty (except as provided in Section 4.6) at any time with respect to any Revolving Credit Loan to which the Revolving Credit Base Rate Option applies or with respect to any Swing Loan,

(i) on the last day of the applicable Interest Period with respect to Revolving Credit Loans to which a Revolving Credit Euro-Rate Option applies, and

(ii) on the date specified in a notice by any Bank pursuant to Section 3.4.3 [Euro-Rate Unascertainable] with respect to any Revolving Credit Loan to which a Revolving Credit Euro-Rate Option applies.

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

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

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

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

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

4.5 MANDATORY PREPAYMENTS.

4.5.1 SALE OF ASSETS.

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

4.5.2 PAYMENT TO REDUCE REVOLVING CREDIT LOANS MADE PURSUANT TO SECTION 2.9.4

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

4.5.3 PAYMENT TO REDUCE REVOLVING CREDIT LOANS IF REVOLVING CREDIT COMMITMENTS ARE REDUCED PURSUANT TO SECTION 2.4.2

In the event that the Revolving Credit Commitments are permanently reduced pursuant to Section 2.4.2, the Borrower shall immediately make a mandatory prepayment of principal on the Revolving Credit Loans to the extent that the Revolving Facility Usage exceeds the sum of the Revolving Credit Commitments plus any cash held by the Administrative Agent pursuant to Section 2.4.1; and

4.5.4 APPLICATION AMONG INTEREST RATE OPTIONS.

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

4.6 ADDITIONAL COMPENSATION IN CERTAIN CIRCUMSTANCES.

4.6.1 INCREASED COSTS OR REDUCED RETURN RESULTING FROM TAXES, RESERVES, CAPITAL ADEQUACY REQUIREMENTS, EXPENSES, ETC.

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

(i) subjects any Bank to any tax or changes the basis of taxation with respect to this Agreement, the Revolving Credit Notes, the Revolving Credit Loans or payments by the Borrower of principal, interest, Commitment Fees, or other amounts due from the Borrower hereunder or under the Revolving Credit Notes (except for taxes on the overall net income of such Bank),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, any Bank, or

(iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or letters of credit, other credits or commitments to extend credit extended by, any Bank, or (B) otherwise applicable to the obligations of any Bank under this Agreement, and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon any Bank with respect to this Agreement, the Revolving Credit Notes or the making, maintenance or funding of any part of the Revolving Credit Loans (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on any Bank's capital, taking into consideration such Bank's customary policies with respect to capital adequacy) by an amount which such Bank in its sole discretion deems to be material, such Bank shall from time to time notify the Borrower and the Administrative Agent of the amount determined in good faith (using any averaging and attribution methods employed in good faith and shall be binding upon the parties absent manifest error) by such Bank to be necessary to compensate such Bank for such increase in cost, reduction of income or additional expense or reduced rates of return. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank ten (10) Business Days after such notice is given.

4.6.2 INDEMNITY.

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

(i) payment, prepayment, conversion or renewal of any Revolving Credit Loan to which a Revolving Credit Euro-Rate Option applies on a day other than the last day of the corresponding Interest Period (whether or not such payment or prepayment is mandatory, voluntary or automatic and whether or not such payment or prepayment is then due),

(ii) attempt by the Borrower to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any Loan Requests under Section 2.5 or any notice relating to prepayments under Section 4.4, or

(iii) default by the Borrower in the performance or observance of any covenant or condition contained in this Agreement or any other Loan Document, including any failure of the Borrower to pay when due (by acceleration or otherwise) any principal, interest, Commitment Fee or any other amount due hereunder. If any Bank sustains or incurs any such loss or expense, it shall from time to time notify the Borrower of the amount determined in good faith by such Bank (which determination may include such assumptions, allocations of costs and expenses and averaging or attribution methods as such Bank shall deem reasonable and shall be binding on the parties absent manifest error) to be necessary to indemnify such Bank for such loss or expense. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank ten (10) Business Days after such notice is given.

5. REPRESENTATIONS AND WARRANTIES

5.1 REPRESENTATIONS AND WARRANTIES.

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

5.1.1 ORGANIZATION AND QUALIFICATION.

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

5.1.2 CAPITALIZATION AND OWNERSHIP.

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

5.1.3 SUBSIDIARY MATTERS.

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

5.1.4. POWER AND AUTHORITY.

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

5.1.5 VALIDITY AND BINDING EFFECT.

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

5.1.6 NO CONFLICT.

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

5.1.7 LITIGATION.

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

5.1.8 TITLE TO PROPERTIES.

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

5.1.9 FINANCIAL STATEMENTS.

(i) HISTORICAL STATEMENTS. The Company has delivered to the Administrative Agent copies of its audited consolidated year-end financial statements for and as of the end of the three fiscal years ended February 3, 1996 (the "Annual Statements" and the Annual Statements are sometimes collectively referred to as the "Historical Statements"). The Historical Statements were compiled from the books and records maintained by the Company's management, are correct and complete and fairly represent the consolidated financial condition of the Company and its Subsidiaries as of their dates and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied;

(ii) FINANCIAL PROJECTIONS. The Company has delivered to the Administrative Agent financial projections of the Company and its Subsidiaries for fiscal years 1997, 1998 and 1999 derived from various assumptions of the Company's management (the "Financial Projections"). The Financial Projections reflect the reasonable expectations of the Company's management as of the Closing Date in light of the history of the business, present and foreseeable conditions and intentions of the Company's management, all based on the assumptions thereto. The Financial Projections accurately reflect the liabilities of the Company and its Subsidiaries incurred pursuant to the Loan Documents upon consummation of the transactions contemplated hereby as of the Closing Date; and

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

5.1.10 MARGIN STOCK.

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

5.1.11 FULL DISCLOSURE.

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

5.1.12 TAXES.

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

5.1.13 CONSENTS AND APPROVALS.

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

5.1.14 NO EVENT OF DEFAULT; COMPLIANCE WITH INSTRUMENTS.

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

5.1.15 PATENTS, TRADEMARKS, COPYRIGHTS, LICENSES, ETC.

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

5.1.16 INSURANCE.

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

5.1.17 COMPLIANCE WITH LAWS.

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

5.1.18 MATERIAL CONTRACTS.

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

5.1.19 INVESTMENT COMPANIES.

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

5.1.20 PLANS AND BENEFIT ARRANGEMENTS.

Except as set forth on SCHEDULE 5.1.20:

(i) The Company and each other member of the ERISA Group are in compliance in all material respects with any applicable provisions of ERISA with respect to all Benefit Arrangements, Plans and Multiemployer Plans. There has been no Prohibited Transaction with respect to any Benefit Arrangement or any Plan or, to the best knowledge of the Company, with respect to any Multiemployer Plan or Multiple Employer Plan, which could result in any material liability of the Company or any other member of the ERISA Group. The Company and all other members of the ERISA Group have made when due any and all payments required to be made under any agreement relating to a Multiemployer Plan or a Multiple Employer Plan or any Law pertaining thereto. With respect to each Plan and Multiemployer Plan, the Company and each other member of the ERISA Group (i) have fulfilled in all material respects their obligations under the minimum funding standards of ERISA, (ii) have not incurred any liability to the PBGC, and (iii) have not had asserted against them any penalty for failure to fulfill the minimum funding requirements of ERISA;

(ii) To the best of each Loan Parties' knowledge, each Multiemployer Plan and Multiple Employer Plan is able to pay benefits thereunder when due;

(iii) Neither the Company nor any other member of the ERISA Group has instituted or intends to institute proceedings to terminate any Plan;

(iv) No event requiring notice to the PBGC under Section 302(f)(4)(A) of ERISA has occurred or is reasonably expected to occur with respect to any Plan, and no amendment with respect to which security is required under Section 307 of ERISA has been made or is reasonably expected to be made to any Plan;

(v) The aggregate accumulated benefit obligations determined in accordance with GAAP as of the end of the most recent calendar year for all Plans does not exceed by more than $8 million the fair market value of all assets of the Plans;

(vi) Neither the Company nor any other member of the ERISA Group has incurred or reasonably expects to incur any material withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Company nor any other member of the ERISA Group has been notified by any Multiemployer Plan or Multiple Employer Plan that such Multiemployer Plan or Multiple Employer Plan has been terminated within the meaning of Title IV of ERISA and, to the best knowledge of the Company, no Multiemployer Plan or Multiple Employer Plan is reasonably expected to be reorganized or terminated, within the meaning of Title IV of ERISA;

(vii) To the extent that any Benefit Arrangement is insured, the Company and all other members of the ERISA Group have paid when due all premiums required to be paid for all periods through the Closing Date. To the extent that any Benefit Arrangement is funded other than with insurance, the Company and all other members of the ERISA Group have made when due all contributions required to be paid for all periods through the Closing Date; and

(viii) All Plans, Benefit Arrangements and Multiemployer Plans have been administered in accordance with their terms and applicable Law.

5.1.21 EMPLOYMENT MATTERS.

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

5.1.22 ENVIRONMENTAL MATTERS.

Except as disclosed on SCHEDULE 5.1.22:

(i) Except for notices which could reasonably relate to a Material Adverse Change, none of the Loan Parties or any Subsidiaries of any Loan Party has received any Environmental Complaint from any Official Body or private Person alleging that such Loan Party or Subsidiary or any prior or subsequent owner of any Property is a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.ss. 9601, ET SEQ., and none of the Loan Parties has any reason to believe that such an Environmental Complaint might be received. There are no pending or, to any Loan Party's knowledge, threatened Environmental Complaints relating to any Loan Party or any Subsidiary of any Loan Party or, to any Loan Party's knowledge, any prior or subsequent owner of any Property pertaining to, or arising out of, any Environmental Conditions which could reasonably result in a Material Adverse Change,

(ii) Except for Environmental Conditions, violations or failures which individually and in the aggregate are not reasonably likely to result in a Material Adverse Change, there are no circumstances at, on or under any Property that constitute a breach of or non-compliance with any of the Environmental Laws, and there are no past or present Environmental Conditions at, on or under any Property or, to any Loan Party's knowledge, at, on or under adjacent property, that prevent compliance with the Environmental Laws at any Property,

(iii) Neither any Property nor any structures, improvements, equipment, fixtures, activities or facilities thereon or thereunder contain or use Regulated Substances, except in compliance with Environmental Laws, which could reasonably result in a Material Adverse Change. There are no processes, facilities, operations, equipment or other activities at, on or under any Property, or, to any Loan Party's knowledge, at, on or under adjacent property, that currently result in the release or threatened release of Regulated Substances onto any Property, except to the extent that such releases or threatened releases are not a breach of or otherwise not a violation of the Environmental Laws or are not likely to result in a Material Adverse Change,

(iv) There are no aboveground storage tanks, underground storage tanks or underground piping associated with such tanks, used for the management of Regulated Substances at, on or under any Property that (a) do not have, to the extent required by Environmental Laws, a full operational secondary containment system in place, and (b) are not otherwise in compliance with all Environmental Laws, except in any case where such would not result in a Material Adverse Change. There are no abandoned underground storage tanks or underground piping associated with such tanks, previously used for the management of Regulated Substances at, on or under any Property that have not either been closed in place in accordance with Environmental Laws or removed in compliance with all applicable

Environmental Laws and no contamination associated with the use of such tanks exists on any Property that is not in compliance with Environmental Laws, except in any case where such would not result in a Material Adverse Change,

(v) The applicable Loan Party or a Subsidiary of a Loan Party has all permits, licenses, authorizations, plans and approvals necessary under the Environmental Laws for the conduct of the business of the Borrower and its Subsidiaries taken as a whole, except in any case where the failure to so have would not result in a Material Adverse Change. Each Loan Party and each Subsidiary of a Loan Party has submitted all notices, reports and other filings required by the Environmental Laws to be submitted to an Official Body which pertain to past and current operations on any Property, except in any case where the failure to so submit would not result in a Material Adverse Change, and

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

5.1.23 SENIOR DEBT STATUS.

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

5.1.24 ACQUISITION.

The Acquisition closed on May 5, 1996 pursuant to and in accordance with the terms and conditions of the Stock Purchase Agreement with no amendment or modification having been made to or term or condition waived in the Stock Purchase Agreement, except for minor matters reasonably needed to consummate the Acquisition and the Seller Note was issued.

5.2 SUBSIDIARIES OTHER THAN MATERIAL SUBSIDIARIES.

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

5.3 UPDATES TO SCHEDULES.

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

6. CONDITIONS OF LENDING

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

6.1 FIRST REVOLVING CREDIT LOANS.

On the Closing Date:

6.1.1 OFFICER'S CERTIFICATE.

The representations and warranties of each of the Loan Parties contained in Article and in each of the other Loan Documents shall be true and accurate on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein), and each of the Loan Parties shall have performed and complied with all covenants and conditions hereof and thereof, no Event of Default or Potential Default shall have occurred and be continuing or shall exist; and there shall be delivered to the Administrative Agent for the benefit of each Bank a certificate of the Borrower, the Company and each of the Material Subsidiaries, dated the Closing Date and signed by the Chief Executive Officer, President or Chief Financial Officer of such Person, to each such effect.

6.1.2 SECRETARY'S CERTIFICATE.

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

(i) all action taken by such Loan Party in connection with this Agreement and the other Loan Documents;

(ii) the names of the officer or officers authorized to sign this Agreement and the other Loan Documents and the true signatures of such officer or officers and specifying the Authorized Officers permitted to act on behalf of such Loan Party for purposes of this Agreement and the true signatures of such officers, on which the Administrative Agent and each Bank may conclusively rely; and

(iii) copies of its organizational documents, including its certificate of incorporation and bylaws as in effect on the Closing Date certified by the appropriate state official where such documents are filed in a state office together with certificates from the appropriate state officials as to the continued existence and good standing of such Loan Party in each state where organized or qualified to do business.

6.1.3 DELIVERY OF LOAN DOCUMENTS.

The Loan Documents shall been executed and delivered to the Administrative Agent for the benefit of the Banks.

6.1.4 OPINION OF COUNSEL.

There shall be delivered to the Administrative Agent for the benefit of each Bank a written opinion of Benesch, Friedlander, Coplan & Aronoff P.L.L. and of Albert J. Bell, Esq. counsel for the Loan Parties (who may rely on the opinions of such other counsel as may be acceptable to the Administrative Agent), dated the Closing Date and in form and substance satisfactory to the Managing Agents and their counsel as to the matters set forth in Exhibit 6.1.4.

6.1.5 LEGAL DETAILS.

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

6.1.6 PAYMENT OF FEES.

The Borrower shall have paid or caused to be paid to the Administrative Agent for itself and for the account of the Banks to the extent not previously paid all commitment and other fees accrued through the Closing Date and the costs and expenses for which the Documentation Agent, the Administrative Agent and the Banks are entitled to be reimbursed.

6.1.7 CONSENTS.

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

6.1.8 OFFICER'S CERTIFICATE REGARDING MACS.

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

6.1.9 NO VIOLATION OF LAWS.

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

6.1.10 NO ACTIONS OR PROCEEDINGS.

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

6.1.11 INSURANCE POLICIES; CERTIFICATES OF INSURANCE.

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

6.1.12 TERMINATION OF EXISTING BANK FACILITY.

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

6.2 EACH ADDITIONAL REVOLVING CREDIT LOAN.

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

6.3 SYNDICATION.

6.3.1 SYNDICATION REPRESENTATION AND WARRANTIES.

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

6.3.2 SYNDICATION DOCUMENTS.

On the Syndication Date, the Borrower shall deliver to the Administrative Agent for the benefit of the Banks (a) an Officer's Certificate dated as of the Syndication Date with respect to the matters set forth in Section 6.3.1 and Section 6.1.8(i), (b) a Secretary's Certificate dated as of the Syndication Date with respect to the matters set forth in Section 6.1.2(i) and 6.1.2(ii) and that there have been no changes in the charter documents or bylaws of the Borrower or any Material Subsidiary since the Closing Date, (c) Revolving Credit Notes dated as of the Syndication Date which give effect to the syndication on the Syndication Date of the Revolving Credit Commitments of the Banks which executed the initial Credit Agreement dated as of May 3, 1996 in exchange for the original Revolving Credit Notes issued to such Banks on May 3, 1996, (d) written opinions of the counsel to the Borrower identified in Section 6.1.4 with respect to such matters as the Documentation Agent may request and (e) acknowledgments dated as of the Syndication Date to the Master Guaranty Agreement and the Master Intercompany Subordination Agreement in form and substance satisfactory to the Documentation Agent.

7. COVENANTS

7.1 AFFIRMATIVE COVENANTS.

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

7.1.1 PRESERVATION OF EXISTENCE, ETC.

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

7.1.2 PAYMENT OF LIABILITIES, INCLUDING TAXES, ETC.

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

7.1.3 MAINTENANCE OF INSURANCE.

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

7.1.4 MAINTENANCE OF PROPERTIES AND LEASES.

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

7.1.5 MAINTENANCE OF PATENTS, TRADEMARKS, ETC.

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

7.1.6 VISITATION RIGHTS.

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

7.1.7 KEEPING OF RECORDS AND BOOKS OF ACCOUNT.

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

7.1.8 PLANS AND BENEFIT ARRANGEMENTS.

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

7.1.9 COMPLIANCE WITH LAWS.

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

7.1.10 USE OF PROCEEDS.

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

7.1.11 SUBORDINATION OF INTERCOMPANY LOANS.

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

7.2 NEGATIVE COVENANTS.

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

7.2.1 INDEBTEDNESS.

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

(i) existing Indebtedness as set forth on SCHEDULE 7.2.1 (including any extensions or renewals thereof, PROVIDED there is no increase in the amount thereof or imposition of additional material obligations therein unless otherwise specified on SCHEDULE 7.2.1;

(ii) capitalized and operating leases as and to the extent not prohibited by Section 7.2.15;

(iii) Indebtedness which is subordinated in accordance with the provisions of Section 7.1.11;

(iv) Indebtedness secured by Purchase Money Security Interests not exceeding $10,000,000;

(v) Indebtedness of a Loan Party to another Loan Party; the Seller Note;

(vi) Indebtedness permitted under Section 7.2.3; and

(vii) any other Indebtedness (excluding Indebtedness relating to documentary letters of credit) not referenced above which does not exceed in the aggregate at any one time outstanding in any calendar year (a) $35,000,000 during the period commencing on January 1 and ending on September 1 of such calendar year and during the period commencing December 1 and ending on December 31 of such cal-

endar year and (b) $50,000,000 during the period commencing on September 1 and ending on December 1 of such calendar year.

7.2.2 LIENS.

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

7.2.3 GUARANTIES.

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

7.2.4 LOANS AND INVESTMENTS.

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

(i) trade credit extended on usual and customary terms in the ordinary course of business;

(ii) advances to employees to meet expenses incurred by such employees in the ordinary course of business;

(iii) Permitted Investments;

(iv) loans, advances and investments in other Loan Parties and Subsidiaries of Loan Parties;

(v) Indebtedness permitted by Section 7.2.1, liquidations, mergers, consolidations and acquisitions permitted by Section 7.2.6, and capital expenditures permitted by Section 7.2.15; and

(vi) Investments other than those set forth hereinabove not to exceed $10,000,000.

7.2.5 DIVIDENDS AND RELATED DISTRIBUTIONS.

Except as provided herein, each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, make or pay, or agree to become or remain liable to make or pay, any dividend or other distribution of any nature (whether in cash, property, securities or otherwise) on account of or in respect of its shares of capital stock or partnership interests on account of the purchase, redemption, retirement or acquisition of its shares of capital stock (or warrants, options or rights therefor) or partnership interests, except dividends or other distributions payable to another Loan Party. The Company may declare and pay dividends on its capital stock which are payable solely in shares of its capital stock or other equity interests of the Company. The Company may make purchases and redemptions of its capital stock pursuant to existing plans provided that the aggregate of all such purchases does not exceed $10,000,000.

7.2.6 LIQUIDATIONS, MERGERS, CONSOLIDATIONS, ACQUISITIONS.

Except as permitted by Section 7.2.7 each of the Loan Parties shall not, and shall not permit any of the Company, the Borrower and the Material Subsidiaries to, dissolve, liquidate or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or substantially all of the assets or capital stock of any other Person; PROVIDED that any Loan Party other than the Borrower and the Company may consolidate, liquidate, dissolve or merge into, or acquire, another Loan Party which is wholly-owned, directly or indirectly, by the Company; and PROVIDED FURTHER that any Loan Party may acquire by merger, purchase or otherwise all or substantially all of the assets of any other Person or any division or subsidiary which constitutes a "reportable industry segment" or "class of similar products" of an industry segment (as such terms are defined in Item 101(c) of Regulation S-K promulgated under the Securities Act of 1933 and the Securities Exchange Act of 1934) of such other Person if (a) after giving effect to such acquisition, the aggregate of the purchase prices for all acquisitions permitted pursuant to this clause shall not exceed $50,000,000 (with respect to any non-cash consideration paid by a Loan Party, the value reasonably assigned to such consideration on the books of such Loan Party shall be used for purposes of this calculation), (b) the Borrower is in compliance with all of the provisions of this Agreement immediately prior to such acquisition and after giving effect to such acquisition the Borrower will be in compliance with all of the provisions of this Agreement and (c) with respect to any acquisition of capital stock of another Person, within 90 days of such acquisition of any capital stock of another Person, all outstanding shares of capital stock of such Person are acquired by one or more Loan Parties and no rights to acquire shares of such capital stock shall be held by any person other than a Loan Party and, if such other Person becomes a Subsidiary of the Borrower, it joins in the Master Guaranty Agreement in accordance with Section 10.18.

7.2.7 DISPOSITIONS OF ASSETS OR SUBSIDIARIES.

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

(i) transactions involving the sale of inventory in the ordinary course of business;

(ii) any sale, transfer or lease of assets in the ordinary course of business which are no longer necessary or required in the conduct of such Loan Party's or such Subsidiary's business;

(iii) any sale, transfer or lease of assets by any wholly owned Subsidiary of such Loan Party to another Loan Party;

(iv) any sale, transfer or lease of assets, other than those specifically excepted pursuant to clauses (i) through above or clauses (v) and (vi) below, provided that the aggregate after-tax net cash proceeds (including without limitation cash, as and when collected, pursuant to any notes or other securities received as consideration for such sale, transfer or lease) of all such sales, transfers or leases on and after the date hereof (as reasonably estimated by the Borrower) in excess of $25,000,000 shall be applied as a mandatory prepayment of the Revolving Credit Loans in accordance with the provisions of Section 4.5.1;

(v) any sale or transfer by the Company of the capital stock or other equity interests of the Company; and

(vi) cash payments pursuant to transactions not prohibited hereunder.

7.2.8 AFFILIATE TRANSACTIONS.

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

7.2.9 SUBSIDIARIES, PARTNERSHIPS AND JOINT VENTURES.

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

7.2.10 CONTINUATION OF OR CHANGE IN BUSINESS.

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

7.2.11 PLANS AND BENEFIT ARRANGEMENTS.

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

(i) fail to satisfy the minimum funding requirements of ERISA and the Internal Revenue Code with respect to any Plan where such would result in a Material Adverse Change;

(ii) request a minimum funding waiver from the Internal Revenue Service with respect to any Plan;

(iii) engage in a Prohibited Transaction with any Plan, Benefit Arrangement or Multiemployer Plan which, alone or in conjunction with any other circumstances or set of circumstances resulting in liability under ERISA, would constitute a Material Adverse Change;

(iv) permit, as of the end of any calendar year, the aggregate accumulated benefit obligations determined in accordance with GAAP for all Plans to exceed by more than $8 million the fair market value of all assets of the Plans;

(v) fail to make when due any contribution to any Multiemployer Plan that the Borrower or any member of the ERISA Group may be required to make under any agreement relating to such Multiemployer Plan, or any Law pertaining thereto where such would result in a Material Adverse Change;

(vi) withdraw (completely or partially) from any Multiemployer Plan or withdraw (or be deemed under Section 4062(e) of ERISA to withdraw) from any Multiple Employer Plan, where any such withdrawal is likely to result in a material liability of the Borrower or any member of the ERISA Group; terminate, or institute proceedings to terminate, any Plan, where such termination is likely to result in a material liability to the Borrower or any member of the ERISA Group;

(vii) make any amendment to any Plan with respect to which security is required under Section 307 of ERISA; or

(viii) fail to give any and all notices and make all disclosures and governmental filings required under ERISA or the Internal Revenue Code, where such failure is likely to result in a Material Adverse Change.

7.2.12 FISCAL YEAR.

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

7.2.13 ISSUANCE OF STOCK.

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

7.2.14 CHANGES IN ORGANIZATIONAL DOCUMENTS.

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

7.2.15 CAPITAL EXPENDITURES AND LEASES.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, make any payments or incur any obligation on account of the purchase or lease of any assets which if purchased would constitute fixed assets or which if leased would constitute a capitalized lease under GAAP if the aggregate of such payments and incurred obligations together with all other similar payments and incurred obligations made during such period would exceed the amount set forth below for such period:

Period	Maximum Consolidated Capital Expenditures
May 3, 1996 to February 1, 1997	$110,000,000
Fiscal Year ending January 31, 1998 and each fiscal year thereafter	$100,000,000

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

7.2.16 MINIMUM FIXED CHARGE COVERAGE RATIO.

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

Fiscal Quarter Ending Nearest:	Minimum Fixed Charge Coverage Ratio
July 31, 1996	1.25
October 31, 1996	1.25
January 31, 1997	1.50
April 30, 1997	1.50
July 31, 1997	1.50
October 31, 1997	1.50
January 31, 1998	1.60
April 30, 1998	1.60
July 31, 1998	1.60
October 31, 1998	1.60
All Quarters subsequent to October 31, 1998	1.70

7.2.17 TOTAL INDEBTEDNESS TO TOTAL CAPITALIZATION RATIO.

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

Fiscal Quarter Ending Nearest:	Maximum Permitted Percentage
July 31, 1996	67.5%
October 31, 1996	72.5%
January 31, 1997	62.5%
April 30, 1997	67.5%
July 31, 1997	70.0%
October 31, 1997	72.5%
January 31, 1998	60.0%
April 30, 1998	65.0%
July 31, 1998	67.5%
October 31, 1998	70.0%
All Quarters subsequent to October 31, 1998	57.5%

7.2.18 MINIMUM TANGIBLE NET WORTH.

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

7.2.19 MINIMUM WORKING CAPITAL RATIO.

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

7.2.20 AMENDMENTS TO CERTAIN DOCUMENTS.

The Loan Parties shall not permit, without the prior written consent of the Required Banks, any amendment, waiver or modification to the Stock Purchase Agreement, the Seller Note and the indenture pursuant to which the Seller Note is issued, or any other document or instrument delivered in connection with any of the foregoing except for amendments, waivers or modifications to provisions other than those which subordinate the Seller Note to the Obligations and which amendments, waivers or modifications do not change or otherwise affect the terms of such agreements or instruments in a material manner.

7.2.21 OUTSTANDING REVOLVING CREDIT LOANS.

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

7.2.22 NO PREPAYMENT OF SUBORDINATED DEBT.

The Loan Parties shall not permit the payment, directly or indirectly (including without limitation on the foregoing any purchase of one or more of the notes issued thereunder or any interest or participation in any such notes), of any principal of the Seller Note (provided that this provision shall not prohibit transfers by any holder or holders of the Seller Note to Persons other than the Company and direct or indirect Subsidiaries of the Company).

7.2.23 INVENTORY PURCHASES.

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

7.3 REPORTING REQUIREMENTS.

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

7.3.1 QUARTERLY FINANCIAL STATEMENTS.

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

7.3.2 ANNUAL FINANCIAL STATEMENTS.

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

any Loan Party under any of the Loan Documents, together with a letter of such accountants substantially to the effect that, based upon their ordinary and customary examination of the affairs of the Company, performed in connection with the preparation of such consolidated financial statements, and in accordance with generally accepted auditing standards, they are not aware of the existence of any condition or event which constitutes an Event of Default or Potential Default or, if they are aware of such condition or event, stating the nature thereof and confirming the Borrower's calculations with respect to the certificate to be delivered pursuant to Section 7.3.3 with respect to such financial statements.

7.3.3 CERTIFICATE OF THE BORROWER.

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

7.3.4 NOTICE OF DEFAULT.

Promptly after any officer of any Loan Party has learned of the occurrence of an Event of Default or Potential Default, a certificate signed by the Chief Executive Officer, President or Chief Financial Officer of such Loan Party setting forth the details of such Event of Default or Potential Default and the action which the such Loan Party proposes to take with respect thereto.

7.3.5 NOTICE OF LITIGATION.

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

7.3.6 CERTAIN EVENTS.

Written notice:

(i) at least five (5) Business Days prior thereto, with respect to any proposed sale or transfer of assets pursuant to Section 7.2.7(iv) which exceed $25 million, and

(ii) within the time limits set forth in Section 7.2.14, any amendment to the organizational documents of any Loan Party.

7.3.7 BUDGETS, FORECASTS, OTHER REPORTS AND INFORMATION.

Promptly upon their becoming available to any Loan Party:

(i) the consolidated annual budget of the Company, to be supplied not later than the earlier of (i) ninety (90) days following the end of each fiscal year or (ii) two (2) Business Days following the date on which the Board of Directors of the Company approves such annual budget;

(ii) any reports including management letters submitted to the Company or the Borrower by independent accountants in connection with any annual, interim or special audit;

(iii) any reports, notices or proxy statements generally distributed by the Company to its stockholders on a date no later than the date supplied to such stockholders; regular or periodic reports, including Forms 10-K, 10-Q and 8-K, registration statements and prospectuses, as may be filed by the Company with the Securities and Exchange Commission;

(iv) a copy of any order in any proceeding to which the Company, the Borrower or any of its Subsidiaries is a party issued by any Official Body; and

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

7.3.8 NOTICES REGARDING PLANS AND BENEFIT ARRANGEMENTS.

7.3.8.1 CERTAIN EVENTS.

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

(i) any Reportable Event with respect to the Company or any other member of the ERISA Group (regardless of whether the obligation to report said Reportable Event to the PBGC has been waived),

(ii) any Prohibited Transaction which could subject the Company or any other member of the ERISA Group to a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Internal Revenue Code in connection with any Plan, any Benefit Arrangement or any trust created thereunder,

(iii) any assertion of material withdrawal liability with respect to any Multiemployer Plan,

(iv) any partial or complete withdrawal from a Multiemployer Plan by the Company or any other member of the ERISA Group under Title IV of ERISA (or assertion thereof), where such withdrawal is likely to result in material withdrawal liability, any cessation of operations (by the Company or any other member of the ERISA Group) at a facility in the circumstances described in Section 4063(e) of ERISA,

(v) withdrawal by the Company or any other member of the ERISA Group from a Multiple Employer Plan,

(vi) a failure by the Company or any other member of the ERISA Group to make a payment to a Plan required to avoid imposition of a Lien under Section 302(f) of ERISA,

(vii) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA, or

(viii) any change in the actuarial assumptions or funding methods used for any Plan, where the effect of such change is to materially increase or materially reduce the unfunded benefit liability or obligation to make periodic contributions.

7.3.8.2 NOTICES OF INVOLUNTARY TERMINATION AND ANNUAL REPORTS.

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

7.3.8.3 NOTICE OF VOLUNTARY TERMINATION.

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

8. DEFAULT

8.1 EVENTS OF DEFAULT.

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

8.1.1 PAYMENTS UNDER LOAN DOCUMENTS.

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

8.1.2 BREACH OF WARRANTY.

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

8.1.3 BREACH OF NEGATIVE COVENANTS.

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

8.1.4 BREACH OF OTHER COVENANTS.

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

8.1.5 DEFAULTS IN OTHER AGREEMENTS OR INDEBTEDNESS.

If a breach, default or event of default shall occur at any time under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which any Loan Party or Subsidiary of any Loan Party may be obligated as a borrower or guarantor in excess of $10,000,000 in the aggregate and such breach, default or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any indebtedness when due (whether at stated maturity, by acceleration or otherwise) or such breach or default permits or causes the acceleration of any indebtedness (whether or not such right shall have been waived) or the termination of any commitment to lend;

8.1.6 FINAL JUDGMENTS OR ORDERS.

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

8.1.7 LOAN DOCUMENT UNENFORCEABLE.

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

8.1.8 NOTICE OF LIEN OR ASSESSMENT.

A notice of Lien or assessment in excess of $10,000,000 which is not a Permitted Lien is filed of record with respect to all or any part of any of the Loan Parties' or any of their Subsidiaries' assets by the United States, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, including the PBGC, or if any taxes or debts owing at any time or times hereafter to any one of these becomes payable and the same is not paid within sixty (60) days after the same becomes payable (unless the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed);

8.1.9 INSOLVENCY.

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

8.1.9 EVENTS RELATING TO PLANS AND BENEFIT ARRANGEMENTS.

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

8.1.11 CESSATION OF BUSINESS.

Any of the Company, the Borrower, (except as permitted by Section 7.2.6 or Section 7.2.7) any Material Subsidiary, or (except as permitted by Section 7.2.6 or Section 7.2.7) one or more other Subsidiaries of the Borrower which individually or in the aggregate represent more than five percent (5%) of the book value of the consolidated assets of the Borrower and its Subsidiaries, ceases to conduct its business as contemplated or such Loan Party is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business and such injunction, restraint or other preventive order is not dismissed within thirty (30) days after the entry thereof;

8.1.12 CHANGE OF CONTROL.

(i) Any person or group of persons (within the meaning of Section 13(a) or 14(a) of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership of (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) 33.33% or more of the voting capital stock of the Company; or (ii) within a period of twelve (12) consecutive calendar months, individuals who were directors on the board of directors of the Company on the first day of such period together with any directors whose election by such board of directors or whose nomination for election by the shareholders was approved by a vote of the majority of the directors then in office shall cease to constitute a majority of the board of directors of the Company;

8.1.13 INVOLUNTARY PROCEEDINGS.

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

8.1.14 VOLUNTARY PROCEEDINGS.

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

8.2 CONSEQUENCES OF EVENT OF DEFAULT.

8.2.1 EVENTS OF DEFAULT OTHER THAN BANKRUPTCY, INSOLVENCY OR REORGANIZATION PROCEEDINGS.

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

8.2.2 BANKRUPTCY, INSOLVENCY OR REORGANIZATION PROCEEDINGS.

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

8.2.3 SET-OFF.

If an Event of Default shall occur and be continuing, any Bank to whom any Obligation is owed by any Loan Party hereunder or under any other Loan Document or any participant of such Bank which has agreed in writing to be bound by the provisions of Section 9.13 and any branch, Subsidiary or Affiliate of such Bank or participant anywhere in the world shall have the right, subject to the approval of the Required Banks, in addition to all other rights and remedies available to it, without notice to such Loan Party, to set off against and apply to the then unpaid balance of all the Revolving Credit Loans and all other Obligations of the Borrower and the other Loan Parties hereunder or under any other Loan Document any debt owing to, and any other funds held in any manner for the account of, the Borrower or such other Loan Party by such Bank or participant or by such branch, Subsidiary or Affiliate, including all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by the Borrower or such other Loan Party for its own account (but not including funds held in custodian or trust accounts) with such Bank or participant or such branch, Subsidiary or Affiliate. Such right shall exist whether or not any Bank or the Administrative Agent shall have made any demand under this Agreement or any other Loan Document, whether or not such debt owing to or funds held for the account of the Borrower or such other Loan Party is or are matured or unmatured and regardless of the existence or adequacy of any collateral, any Guaranty or any other security, right or remedy available to any Bank or the Administrative Agent;

8.2.4 SUITS, ACTIONS, PROCEEDINGS.

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

8.2.5 APPLICATION OF PROCEEDS.

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

(i) first, to reimburse the Administrative Agent and the Banks for out-of-pocket costs, expenses and disbursements, including reasonable attorneys' and paralegals' fees and legal expenses, incurred by the Administrative Agent or the Banks in connection with realizing on any collateral or collection of any Obligations of any of the Loan Parties under any of the Loan Documents, including advances made by the Banks or any one of them or the Administrative Agent for the reasonable maintenance, preservation, protection or enforcement of, or realization upon, any collateral, including advances for taxes, insurance, repairs and the like and reasonable expenses incurred to sell or otherwise realize on, or prepare for sale or other realization on, any of any collateral;

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

(iii) the balance, if any, to the Borrower or as required by Law.

8.2.6 OTHER RIGHTS AND REMEDIES.

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

8.3 NOTICE OF SALE.

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

9. THE MANAGING AGENTS

9.1 APPOINTMENT.

Each Bank hereby irrevocably designates, appoints and authorizes PNC Bank to act as Documentation Agent and National City Bank of Columbus to act as Administrative Agent for such Bank under this Agreement and to execute and deliver or accept on behalf of each of the Banks the other Loan Documents. Each Bank hereby irrevocably authorizes, and each holder of any Revolving Credit Note by the acceptance of a Revolving Credit Note shall be deemed irrevocably to authorize, the Documentation Agent and the Administrative Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and any other instruments and agreements referred to herein, and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Documentation Agent or the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. PNC Bank, agrees to act as the Documentation Agent and National City Bank of Columbus agrees to act as the Administrative Agent on behalf of the Banks to the extent provided in this Agreement.

9.2 DELEGATION OF DUTIES.

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

9.3 NATURE OF DUTIES; INDEPENDENT CREDIT INVESTIGATION.

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

9.4 ACTIONS IN DISCRETION OF DOCUMENTATION AGENT AND ADMINISTRATIVE AGENT; INSTRUCTIONS FROM THE BANKS.

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

9.5 REIMBURSEMENT AND INDEMNIFICATION OF ADMINISTRATIVE AGENT AND DOCUMENTATION AGENT BY THE BORROWER.

The Borrower unconditionally agrees to pay or reimburse the Administrative Agent and Documentation Agent and save the Administrative Agent and Documentation Agent harmless against (a) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements, including fees and expenses of counsel, appraisers and environmental consultants, incurred by the Administrative Agent and Documentation Agent (i) in connection with the development, negotiation, preparation, printing, execution, administration, syndication, interpretation and performance of this Agreement and the other Loan Documents, (ii) relating to any requested amendments, waivers or consents pursuant to the provisions hereof, (iii) in connection with the enforcement of this Agreement or any other Loan Document or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (iv) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, and (b) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, the Documentation Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Documentation Agent or the Administrative Agent hereunder or thereunder, PROVIDED that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements if the same results from the Documentation Agent's or Administrative Agent's gross negligence or willful misconduct, or if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. In addition, the Borrower agrees to reimburse and pay all reasonable out-of-pocket expenses of the Administrative Agent's regular employees and agents engaged to perform audits of the Loan Parties' books, records and business properties.

9.6 EXCULPATORY PROVISIONS.

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

9.7 REIMBURSEMENT AND INDEMNIFICATION BY BANKS OF THE DOCUMENTATION AGENT, THE MANAGING AGENTS, THE SYNDICATION AGENT AND THE ADMINISTRATIVE AGENT.

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

9.8 RELIANCE BY DOCUMENTATION AGENT, ADMINISTRATIVE AGENT, MANAGING AGENTS AND SYNDICATION AGENT.

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

9.9 NOTICE OF DEFAULT.

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

9.10 NOTICES.

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

9.11 BANKS IN THEIR INDIVIDUAL CAPACITIES.

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

9.12 HOLDERS OF REVOLVING CREDIT NOTES.

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

9.13 EQUALIZATION OF BANKS.

The Banks and the holders of any participations in any Revolving Credit Notes agree among themselves that, with respect to all amounts received by any Bank or any such holder for application on any Obligation hereunder or under any Revolving Credit Note or under any such participation, whether received by voluntary payment, by realization upon security, by the exercise of the right of set-off or banker's lien, by counterclaim or by any other non-pro rata source, equitable adjustment will be made in the manner stated in the following sentence so that, in effect, all such excess amounts will be shared ratably among the Banks and such holders in proportion to their interests in payments under the Revolving Credit Notes, except as otherwise provided in Sections 3.4.2 or 4.6.1. The Banks or any such holder receiving any such amount shall purchase for cash from each of the other Banks an interest in such Bank's Revolving Credit Loans in such amount as shall result in a ratable participation by the Banks and each such holder in the aggregate unpaid amount under the Revolving Credit Notes, PROVIDED that if all or any portion of such excess amount is thereafter recovered from the Bank or the holder making such purchase, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, together with interest or other amounts, if any, required by law (including court order) to be paid by the Bank or the holder making such purchase.

9.14 SUCCESSOR ADMINISTRATIVE AND DOCUMENTATION AGENTS.

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

9.15 OTHER FEES.

The Borrower shall pay to the Administrative Agent the administrative fees due pursuant to that certain commitment letter dated March 25, 1996 among the Borrower and the various Agents at the times set forth in such letter.

9.16 AVAILABILITY OF FUNDS.

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

9.17 CALCULATIONS.

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

9.18 BENEFICIARIES.

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

9.19 ABSENCE OF DUTIES OF MANAGING AGENTS AND SYNDICATION AGENT.

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

10. MISCELLANEOUS

10.1 MODIFICATIONS, AMENDMENTS OR WAIVERS.

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

10.1.1 INCREASE OF REVOLVING CREDIT COMMITMENT; EXTENSION OR EXPIRATION DATE.

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

10.1.2 EXTENSION OF PAYMENT; REDUCTION OF PRINCIPAL INTEREST OR FEES; MODIFICATION OF TERMS OF PAYMENT.

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

10.1.3 RELEASE OF GUARANTOR.

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

10.1.4 MISCELLANEOUS

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

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

10.2 NO IMPLIED WAIVERS; CUMULATIVE REMEDIES; WRITING REQUIRED.

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

10.3 REIMBURSEMENT AND INDEMNIFICATION OF BANKS BY THE BORROWER; TAXES.

The Borrower agrees unconditionally upon demand to pay or reimburse to each Bank (other than the Administrative Agent and the Documentation Agent, as to which the Borrower's Obligations are set forth in Section 9.5) and to save such Bank harmless against (i) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements (including fees and expenses of counsel for each Bank except with respect to (a) and (b) below), incurred by such Bank (a) in connection with the administration and interpretation of this Agreement, and other instruments and documents to be delivered hereunder, (b) relating to any amendments, waivers or consents pursuant to the provisions hereof, (c) in connection with the enforcement of this Agreement or any other Loan Document, or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (d) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, or (ii) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Bank, in its capacity as such, in any way relating to or arising out of this Agreement (including without limitation Section 4.6.2) or any other Loan Documents or any action taken or omitted by such Bank hereunder or thereunder, PROVIDED that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (A) if the same results from such Bank's gross negligence or willful misconduct, or (B) if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the

extent such failure to give notice does not result in a loss to the Borrower), or (C) if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. The Banks will attempt to minimize the fees and expenses of legal counsel for the Banks which are subject to reimbursement by the Borrower hereunder by considering the usage of one law firm to represent the Banks and the Administrative Agent if appropriate under the circumstances. The Borrower agrees unconditionally to pay all stamp, documentary, transfer, recording or filing taxes or fees and similar impositions now or hereafter determined by the Administrative Agent or any Bank to be payable in connection with this Agreement or any other Loan Document, and the Borrower agrees unconditionally to save the Administrative Agent and the Banks harmless from and against any and all present or future claims, liabilities or losses with respect to or resulting from any omission to pay or delay in paying any such taxes, fees or impositions.

10.4 HOLIDAYS.

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

10.5 FUNDING BY BRANCH, SUBSIDIARY OR AFFILIATE.

10.5.1 NOTIONAL FUNDING.

Each Bank shall have the right from time to time, without notice to the Borrower, to deem any branch, Subsidiary or Affiliate (which for the purposes of this Section 10.5 shall mean any corporation or association which is directly or indirectly controlled by or is under direct or indirect common control with any corporation or association which directly or indirectly controls such Bank) of such Bank to have made, maintained or funded any Revolving Credit Loan to which the Revolving Credit Euro-Rate Option applies at any time, PROVIDED that immediately following (on the assumption that a payment were then due from the Borrower to such other office), and as a result of such change, the Borrower would not be under any greater financial obligation pursuant to Section than it would have been in the absence of such change. Notional funding offices may be selected by each Bank without regard to such Bank's actual methods of making, maintaining or funding the Revolving Credit Loans or any sources of funding actually used by or available to such Bank; and

10.5.2 ACTUAL FUNDING.

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

10.6 NOTICES.

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

10.7 SEVERABILITY.

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

10.8 GOVERNING LAW.

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

10.9 PRIOR UNDERSTANDING.

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

10.10 DURATION; SURVIVAL.

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

10.11 SUCCESSORS AND ASSIGNS.

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

10.12 CONFIDENTIALITY.

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

10.13 COUNTERPARTS.

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

10.14 DOCUMENTATION AGENT'S OR BANK'S CONSENT.

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

10.15 EXCEPTIONS.

The representations, warranties and covenants contained herein shall be independent of each other, and no exception to any representation, warranty or covenant shall be deemed to be an exception to any other representation, warranty or covenant contained herein unless expressly provided, nor shall any such exceptions be deemed to permit any action or omission that would be in contravention of applicable Law.

10.16 CONSENT TO FORUM; WAIVER OF JURY TRIAL.

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

10.17 TAX WITHHOLDING CLAUSE.

Each Bank or assignee or participant of a Bank that is not incorporated under the Laws of the United States of America or a state thereof agrees that it will deliver to each of the Borrower and the Administrative Agent two (2) duly completed copies of the following: (i) Internal Revenue Service Form W-9, 4224 or 1001, or other applicable form prescribed by the Internal Revenue Service, certifying that such Bank, assignee or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes, or is subject to such tax at a reduced rate under an applicable tax treaty, or (ii) Internal Revenue Service Form W-8 or other applicable form or a certificate of such Bank, assignee or participant indicating that no such exemption or reduced rate is allowable with respect to such payments. Each Bank, assignee or participant required to deliver to the Borrower and the Documentation Agent a form or certificate pursuant to the preceding sentence shall deliver such form or certificate as follows: (A) each Bank which is a party hereto on the Closing Date shall deliver such form or certificate at least five (5) Business Days prior to the first date on which any interest or fees are payable by the Borrower hereunder for the account of such Bank; (B) each assignee or participant shall deliver such form or certificate at least five (5) Business Days before the effective date of such assignment or participation (unless the Documentation Agent in its sole discretion shall permit such assignee or participant to deliver such form or certificate less than five (5) Business Days before such date in which case it shall be due on the date specified by the Documentation Agent). Each Bank, assignee or participant which so delivers a Form W-8, W-9, 4224 or 1001 further undertakes to deliver to each of the Borrower and the Documentation Agent two (2) additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Documentation Agent, either certifying that such Bank, assignee or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes or is subject to such tax at a reduced rate under an applicable tax treaty or stating that no such exemption or reduced rate is allowable. The Documentation Agent shall be entitled to withhold United States federal income taxes at the full withholding rate unless the Bank, assignee or participant establishes an exemption or that it is subject to a reduced rate as established pursuant to the above provisions.

10.18 JOINDER OF GUARANTORS.

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

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

ATTEST: CONSOLIDATED STORES CORPORATION,
Borrower

By: /s/ Michael J. Potter
Title: Senior Vice President and
Chief Financial Officer

[Seal]

Address for Notices:

300 Phillipi Road
P.O. Box 28512
Columbus, Ohio 43228-0512

Telecopier No. (614) 278-6666
Attention: James E. Eggenschwiler
Telephone No. (614) 278-6800

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

By: /s/ Ralph A. Kaparos
Title: Senior Vice President

Address for Notices:

155 East Broad Street
Capital Banking Division, 3rd Floor
Columbus, Ohio 43251-0034

Telecopier No. (614) 463-8572
Attention: Ralph A. Kaparos
Telephone No. (614) 463-7296

NATIONAL CITY BANK, as Managing Agent and as a Bank

By: /s/ Ted M. Parker
Title: Vice President

Address for Notices:

National City Bank
1900 E. Ninth Street, LOC #2102
Cleveland, Ohio 44114

Telecopier No. (216) 575-9396
Attention: Ted M. Parker
Telephone No. (216) 575-3097

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

By: /s/ Thomas E. Redmond
Title: Vice President

Address for Notices:

Bank One, Columbus, NA
100 E. Broad Street
Columbus, Ohio 43271-0170

Telecopier No. (614) 248-5518
Attention: Thomas E. Redmond
Telephone No. (614) 248-5540

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

By: /s/ John T. Taylor
Title: Senior Vice President

Address for Notices:

National Corp. Banking
201 E. Fifth Street
Cincinnati, OH 45201-1198

Telecopier No. (513) 651-8952
Attention: John T. Taylor
Telephone No. (513) 651-8688

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

By: /s/ Paula M. DiPonzio
Title: Vice President

Address for Notices:
One Wall Street - 8th Floor
New York, NY 10286

Telecopier No. (212) 635-1483
Attention: Paula DiPonzio
Telephone No. (212) 635-7861

EXHIBIT 10(e)(ii)

CONSOLIDATED STORES CORPORATION
The Company,

and

THE BANK OF NEW YORK
The Trustee,

FIRST SUPPLEMENTAL INDENTURE

Dated as of January 22, 1997

$100,000,000

7% Senior Subordinated Notes
due May 4, 2000

FIRST SUPPLEMENTAL INDENTURE, dated as of January 22, 1997 (the "Amendment"), among Consolidated Stores Corporation, an Ohio corporation (the "Company"), and The Bank of New York, a New York banking corporation (the "Trustee").

RECITALS

WHEREAS, the Company and the Trustee have entered into an Indenture dated as of May 5, 1996 (the "Indenture") relating to the Company's 7% Senior Subordinated Notes due May 4, 2000 (the "Securities");

WHEREAS, Section 9.02 of the Indenture specifically authorizes the Company and the Trustee to amend the Indenture in the circumstances and the manner provided therein with the consent of the holders of at least a majority in aggregate principal amount of the Securities at the time outstanding or of each holder of Securities affected, as the case may be;

WHEREAS, Nashua Hollis CVS, Inc., a New Hampshire corporation ("Nashua CVS"), the holder of all outstanding Securities, has consented to the Amendment and evidence of the written consent to this Amendment by Nashua CVS has been delivered to the Trustee by the Company; and

WHEREAS, all corporate action required to authorize this Amendment has been duly taken by the Company and the Trustee.

NOW, THEREFORE, the Company and the Trustee hereby agree as follows:

SECTION 1. DEFINITIONS; REFERENCES. Capitalized terms used but not defined herein shall have the meaning given to such terms in the Indenture.

SECTION 2. AMENDMENTS TO DEFINITIONS. Section 1.01 of the Indenture is amended by inserting, in their appropriate alphabetical positions, the following definitions:

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

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

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

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

"Institutional Investor" means (a) any purchaser of a Security pursuant to the Note Purchase Agreement, (b) any Holder of a Security holding more than 5% of the aggregate principal amount of the Securities then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless or legal form.

"Make-Whole Amount" shall have the meaning set forth in Section 3.08.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Indenture and the Securities, or (c) the validity or enforceability of this Indenture or the Securities.

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

"Note Purchase Agreement" means a Purchase Agreement to be entered into among the Company, Nashua CVS and purchasers of the Securities from Nashua CVS, whose names will be listed on the signature pages thereof, as amended or supplemented from time to time.

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

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

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

SECTION 3. AMENDMENT OF ARTICLE 2 OF THE INDENTURE. Section 2.04 is amended by adding, immediately following each reference to "premium", the reference "or Make-Whole Amount".

SECTION 4. AMENDMENT OF ARTICLE 3 OF THE INDENTURE. Article 3 of the Indenture is amended as follows:

(a) Section 3.01 is amended and restated in its entirety to read as follows:

Section 3.01. RIGHT TO REDEEM; NOTICES TO TRUSTEE. The Company may, at its option, upon notice as provided in Section 3.03, redeem at any time, on and after May 5, 1998, all, or from time to time thereafter any part of, the Securities, in an amount not less than 5% of the aggregate principal amount of the Securities then outstanding in the case of a partial redemption, at a Redemption Price equal to 100% of the principal amount so redeemed, plus the Make-Whole Amount determined for the Redemption Date with respect to such principal amount. If the Company elects to redeem Securities, it shall notify the Trustee in

writing of the Redemption Date, the principal amount of Securities to be redeemed and the Redemption Price. The Company shall give the notice to the Trustee provided for in this Section 3.01 at least 45 days before the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee).

(b) Section 3.03 of the Indenture is amended by adding the following paragraph immediately following the end of subsection (g) of the second paragraph:

The notice shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such redemption (calculated as if the date of such notice were the Redemption Date), setting forth the details of such computation. Two Business Days prior to such redemption, the Company shall deliver to each Holder of Securities to be redeemed a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified Redemption Date.

(c) by adding the following Sections 3.07 and 3.08 in their entirety immediately following Section - 3.06:

Section 3.07. PURCHASE OF SECURITIES. The Company will not and will not permit any Affiliate to purchase, redeem or otherwise acquire, directly or indirectly, any of the outstanding Securities except (a) upon the payment or redemption of the Securities in accordance with the terms of this Indenture and the Securities or (b) pursuant to an offer to purchase made by the Company or an Affiliate pro rata to the Holders of all Securities at the time outstanding upon the same terms and conditions. Any such offer shall provide each Holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 15 Business Days. If the Holders of more than 50% of the principal amount of the Securities then outstanding accept such offer, the Company shall promptly notify the remaining Holders of such fact (the "Second Notice") and the expiration date for the acceptance by Holders of Securities of such offer shall be extended by the number of days necessary to give each such remaining Holder at least 15 Business Days from its receipt of such Second Notice to accept such offer. The Company will promptly cancel all Securities acquired by it or any Affiliate pursuant to any payment, redemption or purchase of Securities pursuant to any provision of this Agreement and no Securities may be issued in substitution or exchange for any such Securities.

Section 3.08. MAKE-WHOLE AMOUNT. The term "Make-Whole Amount" means, with respect to any Security, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Security over the amount of such Called Principal, PROVIDED that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Security, the principal of such Security that is to be redeemed pursuant to Section 3.01 or has become or is declared to be immediately due and payable pursuant to Section 6.02, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Security, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (ap-

plied on the same periodic basis as that on which interest on the Securities is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Security, the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 500" on the Telerate Access Service (or such other display as may replace Page 500 on Telerate Access Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date plus 0.50%. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the duration closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the duration closest to and less than the Remaining Average Life.

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

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Security, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, PROVIDED that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Securities, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 3.01 or 6.02.

"Settlement Date" means, with respect to the Called Principal of any Security, the date on which such Called Principal is to be redeemed pursuant to Section 3.01 or has become or is declared to be immediately due and payable pursuant to Section 6.02, as the context requires.

SECTION 5. AMENDMENT OF ARTICLE 4 OF THE INDENTURE. Article 4 of the Indenture is amended as follows:

(a) by replacing the reference in Section 4.03(a) to "The Company shall deliver to the Trustee within 120 days after the end of each of the Company's fiscal years" with the reference "Each set of financial statements filed with the Trustee and supplied to each Holder of the Securities pursuant to Section 4.02 shall be accompanied by".

(b) by replacing the reference in Section 4.03(c) to "15 days" with the reference "5 days".

(c) by adding the following Sections 4.03(e) and 4.03(f) in their entirety, immediately following Section 4.03(d):

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

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

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

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

(f) The Company shall deliver to each Holder of Securities that is an Institutional Investor, with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Securities as from time to time may be reasonably requested by any such Holder of Securities.

(d) by adding the following Sections 4.17 and 4.18, immediately following the end of Section 4.16:

Section 4.17. COMPLIANCE WITH LAW. The Company shall and shall cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and shall obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Subsidiaries taken as a whole.

Section 4.18. INSPECTION. The Company shall permit the representatives of each Holder of Securities that is an Institutional Investor: (a) if no Default or Event of Default then exists, at the expense of such Holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and, with the consent of the Company (which consent shall not be unreasonably withheld), to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and (b) if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

SECTION 6. AMENDMENT OF ARTICLE 6 OF THE INDENTURE. Article 6 of the Indenture is amended as follows:

(a) by replacing, in Section 6.01(a)(i), the reference "30 days" with the reference "more than five Business Days".

(b) by adding, in Section 6.01(a)(ii), immediately following the reference "or premium", the reference "or Make-Whole Amount".

(c) by replacing, in Section 6.01(c), the reference "60 days" with the reference "30 days".

(d) by deleting, in Section 6.01(f), the last reference "or".

(e) by adding the following Sections 6.01(h) and 6.01(i) immediately after the end of Section 6.01(g) and immediately before the paragraph beginning with "Bankruptcy Law":

(h) any representation or warranty made in writing by or on behalf of the Company or by any Officer of the Company in the Note Purchase Agreement or in any writing furnished in connection with the transactions contemplated thereby proves to have been false or incorrect in any material respect on the date as of which made; or

(i) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $10,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, would reasonably be expected to have a Materially Adverse Effect.

As used in Section 6.01(i), the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

(f) by replacing, in Section 6.02, the reference "If any Event of Default under clauses (a), (b), (c), (d) or (g)" with the reference "If any Event of Default under clauses (a), (b), (c), (d), (g), (h) or (i)".

(g) by adding, in Sections 6.02, 6.03 and 6.07, immediately following each reference to "premium", the reference "or Make-Whole Amount".

SECTION 7. AMENDMENT OF ARTICLE 8 OF THE INDENTURE. Article 8 of the Indenture is amended by adding, in Sections 8.01, 8.02 and 8.03, immediately following each reference to "premium", the reference "or Make-Whole Amount".

SECTION 8. AMENDMENT OF ARTICLE 9 OF THE INDENTURE. Article 9 of the Indenture is amended as follows:

(a) by adding, in Section 9.02(b), immediately following the reference to "make any change to", the reference "the calculation of the Make-Whole Amount under Section 3.08 or to".

(b) by adding, in Section 9.02(c), immediately following the reference "premium", the reference "or Make-Whole Amount".

(c) by adding the following Section 9.08 in its entirety, immediately following Section 9.07:

Section 9.08. SOLICITATION OF HOLDERS OF SECURITIES.

(a) The Company will provide each Holder of the Securities (irrespective of the amount of Securities then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Securities. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Article 9 to each Holder of outstanding Securities promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Holders of Securities.

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

SECTION 9. AMENDMENT OF EXHIBIT A. The form of reverse side of Security, Exhibit A to the Indenture, is amended as follows:

(a) The first sentence of paragraph 4 is amended and restated to read as follows:

The Company issued the Securities under an Indenture, dated as of May 5, 1996, as amended by the First Supplemental Indenture, dated as of January 22, 1997 (the "Indenture"), between the Company and The Bank of New York (the "Trustee").

(b) Paragraph 5 is amended and restated in its entirety to read as follows:

The Securities are redeemable at any time, at the option of the Company, in whole or in part, or from time to time in part, in an amount not less than 5% of the aggregate principal amount of the Securities then outstanding in the case of a partial redemption, at a Redemption Price equal to 100% of the principal amount so redeemed, plus the Make-Whole Amount determined pursuant to Section 3.08 of the Indenture for the Redemption Date with respect to such principal amount.

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

(c) Paragraph 11(a) is amended by adding, following each reference to "premium", the reference "or Make-Whole Amount".

SECTION 10. EFFECT OF AMENDMENT. The Securities shall be entitled to the benefits of and be subject to the terms of this Amendment. The Indenture, as modified and supplemented by this Amendment, shall remain in full force and effect.

SECTION 11. COUNTERPARTS. This Amendment may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts together shall constitute one and the same instrument.

SECTION 12. GOVERNING LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflicts of laws principles thereof.

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

CONSOLIDATED STORES CORPORATION

By: /s/ Michael J. Potter

Name: Michael J. Potter
Title: Chief Financial Officer

THE BANK OF NEW YORK

By: /s/ Lucille Firrincieli

Name: Lucille Firrincieli
Title: Assistant Vice President

EXHIBIT 10(n)

THE CONSOLIDATED STORES CORPORATION KEY ASSOCIATE

ANNUAL INCENTIVE COMPENSATION PLAN

1. NAME

Consolidated Stores Corporation Key Associate Annual Incentive Compensation Plan.

2. PURPOSE

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

3. DEFINITIONS

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

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

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

"Board" means the Board of Directors of Consolidated Stores Corporation, a Delaware Corporation.

"Change of Control" means a change of control as defined in the Consolidated Stores Corporation Stockholder Rights Plan as from time-to-time amended or any successor thereto.

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

In addition, each member of the Committee shall be an outside director within the meaning of Section 162(m) of the IRC.

"Common Stock" means the common stock of Consolidated Stores Corporation, a Delaware Corporation, its successors and assigns.

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

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

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

"Determination Date" means as to a Performance Period:(1) the first day of the Performance Period, or (2) such other date set by the Committee provided such date will not jeopardize the Plan's Award as performance-based compensation under IRC 162(m).

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

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

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

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

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

(1) The associate's service period within a Fiscal Year in the case of a new hire or promoted associate; or

(2) A period of service determined at the discretion of the Committee (or its designee in the case of associates who are not Covered Associates).

"Plan" means the arrangement described herein.

4. ELIGIBILITY AND PARTICIPATION

4.1 Approval

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

4.2 Termination of Approval

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

4.3 Notification

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

4.4 Transfers In, Out of and Between Eligible Positions

(1) A key associate may be approved for participation during a portion of a Fiscal Year.

(a) With respect to associates that are not Covered Associates, an associate newly hired or transferred into an Eligible Position shall have his/her participation prorated during the first Fiscal Year provided employment or transfer occurs at least two months prior to the end of the Fiscal Year.

(b) An associate (other than a Covered Associate) transferred out of an Eligible Position may receive a prorated Award at the discretion of the Committee provided he/she served in the Eligible Position for at least two full months during the Fiscal Year.

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

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

4.5 Termination of Employment

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

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

5. DETERMINATION OF AWARDS

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

5.2 With respect to Awards for Covered Associates, the material terms of the performance goal(s) must be disclosed to, and subsequently approved in a separate vote by, the stockholders before the payout is executed, unless they conform to one or any combination of the following goals/targets:

(a) Earnings per common and common equivalent share of stock from continuing operations as disclosed in the Company's annual report to stockholders for a particular Fiscal Year; or

(b) Earnings per common and common equivalent share of stock from net income as disclosed in the Company's annual report to stockholders for a particular Fiscal Year; or

(c) Common Stock price; or

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

(e) Income from continuing operations (before extraordinary items);

(f) Net income; or

(g) Percentage increase in comparable store sales (stores open two or more years at the beginning of the Fiscal Year) as disclosed in the Company's annual report; or

(h) Any of items (a), (b), (c), (d), (e) or (f) with respect to any subsidiary, affiliate or business unit of the Company whether or not such information is included in the Company's annual report to stockholders, proxy statement or notice of annual meeting of stockholders; or

(i) Any of items (a), (b), (c), (d), (e) or (g) with respect to a Performance Period whether or not such information is included in the Company's annual report to stockholders, proxy statement or notice of annual meetings of stockholders; or

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

A combination of targets may be used with a particular Award.

5.3 Prior to the completion of 25% of the Performance Period or such earlier date as required under IRC Section 162(m), the Committee shall in its sole discretion, for each such Performance Period determine and establish in writing a performance goal or performance goals applicable to the Performance Period to any Covered Associates. Within the same period of time, the Committee (or its designee) for each such Performance Period shall determine and establish in writing the performance goal(s) applicable to the Performance Period for Participants who are not Covered Associates. The Committee may establish any number of Performance Periods, goals and Awards for any associate running concurrently, in whole or in part, provided, that in so doing the Committee does not jeopardize the Company's deduction for such Awards under IRC 162(m).

5.4 On or prior to the date specified in Section 5.3, the Committee, in its sole discretion, shall assign each Participant who is a Covered Associate, a target Award expressed as a percentage of Base Salary or a whole dollar amount. For Covered Associates, Base Salary must be fixed prior to the establishment of performance goals applicable to a particular Performance Period.

For Participants who are not Covered Associates, the Committee or its designee shall assign a target Award expressed as a percentage of Base Salary.

On or prior to the date specified in Section 5.3, the Committee, in its sole discretion, shall establish a payout table or formula for purposes of determining the Award (if any) payable to each Participant. The Committee may authorize a designee to establish a payout table or formula for those Participants who are not Covered Associates.

Each payout table or formula:

(a) shall be in writing;

(b) shall be based on a comparison of actual performance to the performance goals;

(c) may include a "floor" which is the level of achievement of the performance goal in which payout begins; and

(d) shall provide for an actual Award equal to or less than the Participant's target Award, depending on the extent to which actual performance approached or reached the performance goal(s).

5.5 In lieu of Awards based on a percentage of Base Salary (Section 5.4), Awards may be based on a percentage or share of an Award pool. The Committee (or its designee) shall determine (by the date specified in Section 5.3) the total dollar amount available for Awards (or a formula to calculate the total dollar amount available) known as an Award pool. The Committee, in it sole discretion, may establish two or more separate Award pools and assign the Participants to a particular Award pool. The Committee (or its designee in the case of Participants who are not Covered Associates) shall establish in writing a performance payout table or formula detailing the Award pool and the payout (or payout formula) based upon the relative level of attainment of performance goals. Each payout table or formula shall (a) be based on a comparison of actual performance to the performance goals, (b) provide the amount of a Participant's Award or total pool dollars available (or a formula to calculate pool dollars available), if the performance goals for the Performance Period are achieved, and (c) provide for an actual Award (which may be based on a formula to calculate the percentage of the pool to be awarded to a particular Participant) based on the extent to which the performance goals were achieved. The payout table or formula may include a "floor" which is the level of achievement of the performance goals in which payout begins. In the case of Awards which are stated in terms of a percentage of an Award pool, the sum of the individual percentages for all Participants in the pool cannot exceed 100 percent. In no case shall a reduction in an Award of one Participant result in an increase in another Participant's Award.

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

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

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

6. PAYMENT OF INCENTIVE AWARDS

6.1 In General

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

6.2 Current Payment

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

6.3 Conditional Payment

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

6.4 Deferred Payment

6.4--(1) Election

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

6.4--(2) Credits To Interest Account

When a Participant has elected to have a part or all of his/her Award credited to an "Interest Account", the unpaid balance in such account shall be credited with a simple annual interest equivalent, as follows: As of the May 1 next following the Fiscal Year for which the deferred Award was made, such Award shall become part of the unpaid balance of such Interest Account. Such Interest Account shall be credited on April 30 of each year with an amount equal to interest on the unpaid balance of such account from time to time outstanding during the year ending on

such April 30 at the rate determined by adding together the Three-month Treasury Bill rate on the last banking day prior to the beginning of such year and the Three-month Treasury Bill rate in effect on the last banking days of each of the calendar months of May through March of such year and dividing such total by 12. In the event that the interest Account shall be terminated for any reason prior to April 30 of any year, such account shall upon such termination date be credited with an amount equal to interest at the average Three-month Treasury Bill rate determined as aforesaid on the unpaid balance from time to time outstanding during that portion of such year prior to the date of termination.

6.4--(3) Alternate Deferral Plans

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

6.4--(4) Trust Deposits

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

6.4--(5) Distribution Upon Termination of Employment

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

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

i. The first annual payment shall be made no earlier than the thirtieth day following the date of termination of employment, and shall be in an amount equal to the value of one-tenth (1/10th) of the total amount credited to the Participant's Interest Account as of the end of the month immediately preceding the date of termination.

ii. A second annual payment shall be made no earlier than the first day of the Fiscal Year following the year during which the first anniversary of the date of termination of employment occurs, and shall be in an amount equal to the value of 1/9th of the amount credited (which includes accumulated interest) to the Participant's Interest Account as of January 1 next following the first anniversary of the termination of employment.

iii. Each succeeding installment payment shall be determined in a similar manner, i.e., the fraction of Participant's Interest Account balance to be paid out shall increase each year to 1/8, 1/7, etc., until the tenth installment which shall equal the then remaining balance of the account.

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

6.4--(6) Distribution In Event Of Financial Emergency

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

6.4--(7) Acceleration Of Payment

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

6.4--(8) Beneficiary Designation

A Participant may designate a Beneficiary who is to receive, upon his/her death or disability, the distributions that otherwise would have been paid to him/her. All designations shall be in writing and shall be effective only if and when delivered to the Secretary of the Company during the lifetime of the Participant. If a Participant designates a Beneficiary without providing in the designation that the Beneficiary must be living at the time of each distribution, the designation shall vest in the Beneficiary all of the distribution whether payable before or after the Beneficiary's death, and any distributions remaining upon the Beneficiary's death shall be made to the Beneficiary's estate. A Participant may from time to time during his lifetime change his Beneficiary by a written instrument delivered to the Secretary of the Company. In the event a Participant shall not designate a Beneficiary as aforesaid, or if for any reasons such designation shall be ineffective, in whole or in part, the distribution that otherwise would have been paid to such Participant shall be paid to his estate and in such event the term "Beneficiary" shall include his estate.

6.4--(9) Corporate Changes

i. Dissolution or Liquidation of Company

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

ii. Merger, Consolidation or Sale of Assets

Notwithstanding anything herein to the contrary, in the event that the Company desires to consolidate with, merge into, sell or otherwise transfer all or substantially all of its assets to another corporation (hereinafter referred to as "Successor Corporation"), such Successor Corporation may assume the obligation under this Plan, provided those appropriate amendments are made to the Plan. In the

event the Plan is not continued within a reasonable period of time by the Successor Corporation, then as of the date preceding the date of such consolidation, merger, or transfer, the account of each Participant shall be converted into dollars and distributed as provided in section 6.

7. RIGHTS OF PARTICIPANTS

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

Nothing contained in this Plan shall be construed to:

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

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

8. NO EMPLOYEE RIGHTS

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

9. ADMINISTRATION

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

10. AMENDMENT OR TERMINATION

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

11. TAX WITHHOLDING

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

12. EFFECTIVE DATE

The Plan shall be effective as of February 4, 1996, subject to approval and modification by the Company's stockholders no later than September 1, 1996.

EXHIBIT 21

SUBSIDIARIES

Company Name	Jurisdiction of Incorporation
T. R. O., Inc.	IL
KB Consolidated, Inc.	OH
CSC Distribution, Inc.	AL
CS Ross Company	OH
Industrial Products of New England, Inc.	ME
Midwestern Home Products, Inc.	DE
Midwestern Home Products, LTD	OH
Tool and Supply Company of New England, Inc.	DE
SS Investments Corporation	DE
Consolidated International Export Corporation	BARBADOS
Kay-Bee Center, Inc.	CA
Southdale Kay-Bee Toy, Inc.	MN
Mall of America Kay-Bee Toy, Inc.	MN
Kay-Bee Toy & Hobby Shops, Inc.	MA
K B Toy of Alaska, Inc.	AK
K B Toy of Arkansas, Inc.	AR
K B Toy of Arizona, Inc.	AZ
K B Toy of California, Inc.	DE
K B Toy of Colorado, Inc.	CO
K B Toy of Connecticut, Inc.	CT
K B Toy of Florida, Inc.	FL
K B Toy of Hawaii, Inc.	NY
Ala Moana Kay-Bee Toy, Inc.	NY
K B Toy of Idaho, Inc.	ID
K B Toy of Massachusetts, Inc.	MA
K B Toy of Maryland, Inc.	MD
K B Toy of North Carolina, Inc.	VA
K B Toy of Nebraska, Inc.	NE
Pheasant Kay-Bee Toy, Inc.	NH
K B Toy of New Jersey, Inc.	NJ
K B Toy of Nevada, Inc.	NV
K B Toy of Ohio, Inc.	OH
K B Toy of Pennsylvania, Inc.	PA
K B Toy of South Dakota, Inc.	SD
K B Toy of Tennessee, Inc.	TN
K B Toy of Texas, Inc.	TX
K B Toy of Utah, Inc.	UT
K B Toy of Virginia, Inc.	VA
K B Toy of Washington, Inc.	WA
K B Toy of Wisconsin, Inc.	NY

EXHIBIT 21

SUBSIDIARIES

Company Name	Jurisdiction of Incorporation
K B Toy of Wyoming, Inc.	WY
Carolina Kay-Bee Toy, Inc.	NY
Las Americas Kay-Bee Toy, Inc.	NY
Rio Hondo Kay-Bee Toy, Inc.	NY
Centro Del Sur Kay-Bee Toy, Inc.	NY
Calle Betances Kay-Bee Toy, Inc.	NY
Bayamon Kay-Bee Toy, Inc.	NY
Cordero Ave. (Caguas) Kay-Bee Toy, Inc.	NY
Atocha Street Kay-Bee Toy, Inc.	NY
Fajardo State Rd. Kay-Bee Toy, Inc.	NY
Main Street (Yauco) Kay-Bee Toy, Inc.	NY
Mayaguez Kay-Bee Toy, Inc.	NY
Aguadilla Kay-Bee Toy, Inc.	NY
Plaza Del Caribe Kay-Bee Toy, Inc.	NY
Montehiedra Kay-Bee Toy, Inc.	NY
Kay-Bee Isabela, Inc.	OH
Kay-Bee Palma Real, Inc.	OH
Kay-Bee Del Norte, Inc.	OH
Kay-Bee Guayama, Inc.	OH
Kay-Bee Carolina, Inc.	OH
Kay-Bee Plaza Del Atlantico, Inc.	OH
Kay-Bee Caguas Centrum, Inc.	OH
Mall of America Toy Works, Inc.	MN
Otter Creek Kay-Bee Toys, Inc.	IL
Hooksett Toy Works, Inc.	NH
Marlborough Kay-Bee Toy, Inc.	MA
Cottenwood Kay-Bee Toy, Inc.	NM
Acadiana Kay-Bee Toy, Inc.	LA
Santa Ana Kay-Bee Toy, Inc.	CA
Consolidated Property Holdings, Inc.	NV
CSC Protection, Co.	NV
K B Holdings, Inc.	NV
Barn Acquisition Corporation	DE
Fashion Barn, Inc.	NY
Fashion Barn of New Jersey, Inc.	NJ
Fashion Barn of Florida, Inc.	FL
Fashion Barn of Indiana, Inc.	IN
Fashion Barn of Pennsylvania, Inc.	PA
Fashion Barn of Oklahoma, Inc.	OK

EXHIBIT 21

SUBSIDIARIES

Company Name	Jurisdiction of Incorporation
Fashion Barn of Texas, Inc.	TX
Fashion Barn of Ohio, Inc.	OH
Fashion Outlets Corp.	NY
Fashion Barn of Vermont, Inc.	VT
Fashion Barn of Virginia, Inc.	VA
Fashion Barn of South Carolina, Inc.	SC
Fashion Barn of North Carolina, Inc.	NC
Fashion Barn of West Virginia, Inc.	WV
Fashion Bonanza, Inc.	NY
Rogers Fashion Industries, Inc.	NY
Saddle Brook Distributors, Inc.	NY
DTS, Inc.	NY
Fashion Barn of Missouri, Inc.	MO
Fashion Barn, Inc.	MA
Fasion Barn of Georgia	GA

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We hereby consent to the incorporation by reference in (i) Registration Statement No. 33-42502 on Form S-8 pertaining to Consolidated Stores Corporation Director Stock Option Plan (ii) Registration Statement No. 33-42692 on Form S-8 pertaining to Consolidated Stores Corporation Supplemental Savings Plan (iii) Post Effective Amendment No. 2 to Registration Statement No. 33-6068 on Form S-8 pertaining to Consolidated Stores Corporation Executive Stock Option and Stock Appreciation Rights Plan and (iv) Post Effective Amendment No. 1 to Registration Statement No. 33-19378 on Form S-8 pertaining to Consolidated Stores Corporation Savings Plan and (v) Post Effective Amendment No. 2 to Registration Statement No. 333-2545 on Form S-3 pertaining to the issuance of Consolidated Stores Corporation Common Shares of our report, dated February 24, 1997, appearing in this Annual Report on Form 10-K of Consolidated Stores Corporation for the year ended February 1, 1997.

Deloitte & Touche LLP

Dayton, Ohio
April 18, 1997

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL DATA EXTRACTED FROM CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS FILED IN FORM 10-K AS OF FEBRUARY 1, 1997, AND THE FISCAL YEAR THEN ENDED, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

YEAR	
	FEB-01-1997
	FEB-04-1996
	FEB-01-1997
	30,044
	0
	9,342
	0
	792,665
	926,518
	566,522
	186,427
	1,330,503
	457,228
	151,292
	670
	0
	0
	681,415
	1,330,503
	2,647,516
	2,647,516
	1,542,501
	2,450,969
	(70)
	0
	16,759
	179,858
	66,547
	113,311
	(27,538)
	(1,856)
	0
	83,917
	1.25
	1.25