AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 21, 2001
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

BIG 5 SPORTING GOODS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	5941	95-4388794
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

2525 EAST EL SEGUNDO BOULEVARD
EL SEGUNDO, CALIFORNIA 90245
(310) 536-0611
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

GARY S. MEADE, ESQ.
SENIOR VICE PRESIDENT & GENERAL COUNSEL
BIG 5 SPORTING GOODS CORPORATION
2525 EAST EL SEGUNDO BOULEVARD
EL SEGUNDO, CALIFORNIA 90245
(310) 536-0611
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICES)

COPIES TO:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] _____

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)	AMOUNT OF REGISTRATION FEE
Common stock, par value $0.01 per share.....	$115,000,000	$28,750

(1) Includes shares of common stock that may be sold pursuant to the underwriters' over-allotment options.

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SUCH SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED AUGUST 21, 2001

Shares

BIG 5 SPORTING GOODS CORPORATION

[LOGO]

Common Stock

Prior to this offering, there has been no public market for our common stock. We are selling shares of common stock and the selling stockholders are selling shares of common stock. We will not receive any of the proceeds from the shares of common stock sold by the selling stockholders.

The initial public offering price of the common stock is expected to be between $ and $ per share. We will apply to list our common stock on The Nasdaq Stock Market's National Market under the symbol " ."

The underwriters have an option to purchase a maximum of additional shares to cover over-allotments of shares.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO BIG 5 SPORTING GOODS STOCKHOLDERS
Per Share	$	$	$
Total	$	$	$

Delivery of the shares of common stock will be made on or about , 2001.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

CREDIT SUISSE FIRST BOSTON

U.S. BANCORP PIPER JAFFRAY

JEFFERIES & COMPANY, INC.

STEPHENS INC.

The date of this prospectus is , 2001.

DESCRIPTION OF ARTWORK:

The inside front cover contains a map of the western half of the United States with dots indicating store locations. The heading of the map states "THE LEADING SPORTING GOODS RETAILER IN THE WESTERN UNITED STATES". There is a legend on the top right hand side of the map that indicates the states in which we operate and the number of stores in each state.

Below the map there are two photographs of front entrances to Big 5 Sporting Goods stores.

TABLE OF CONTENTS

PAGE ---- PROSPECTUS
SUMMARY..... 1 RISK
FACTORS..... 7
FORWARD-LOOKING
STATEMENTS..... 13 USE OF
PROCEEDS..... 14
DIVIDEND
POLICY..... 14
CAPITALIZATION.....
15
DILUTION.....
16 SELECTED CONSOLIDATED FINANCIAL
AND OTHER
DATA..... 17
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS..... 19
BUSINESS.....
25
MANAGEMENT.....
34 RELATED PARTY
TRANSACTIONS..... 39 SECURITY
OWNERSHIP BY MANAGEMENT AND PRINCIPAL
STOCKHOLDERS..... 40

PAGE ---- DESCRIPTION OF CAPITAL
STOCK..... 41 DESCRIPTION OF
CERTAIN INDEBTEDNESS... 44 SHARES
ELIGIBLE FOR FUTURE SALE..... 46
U.S. FEDERAL TAX CONSIDERATIONS FOR
NON-U.S. HOLDERS.....
48 THE SELLING
STOCKHOLDERS..... 50
UNDERWRITING.....
51 NOTICE TO CANADIAN
RESIDENTS..... 54 LEGAL
MATTERS..... 55
EXPERTS.....
55 WHERE YOU CAN FIND MORE
INFORMATION... 55 INDEX TO
CONSOLIDATED FINANCIAL
STATEMENTS.....
F-1

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. THIS DOCUMENT MAY ONLY BE USED WHERE IT IS LEGAL TO SELL THESE SECURITIES. THE INFORMATION IN THIS DOCUMENT MAY ONLY BE ACCURATE ON THE DATE OF THIS DOCUMENT.

DEALER PROSPECTUS DELIVERY OBLIGATION

UNTIL , 2001 (25 DAYS AFTER THE COMMENCEMENT OF THE OFFERING), ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALER'S OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS AN UNDERWRITER AND WITH RESPECT TO UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. We urge you to read this entire prospectus carefully, including the "Risk Factors" section beginning on page 7.

BIG 5 SPORTING GOODS

OVERVIEW

We are the leading sporting goods retailer in the western United States, operating 252 stores in 10 states under the name "Big 5 Sporting Goods." We provide a full-line product offering of over 25,000 stock keeping units in a traditional sporting goods store format that averages 11,000 square feet. Our product mix includes athletic shoes, apparel and accessories, as well as a broad selection of outdoor and athletic equipment for team sports, fitness, camping, hunting, fishing, tennis, golf, snowboarding and in-line skating.

We believe that over the past 46 years we have developed a reputation with the competitive and recreational sporting goods customer as a convenient neighborhood sporting goods retailer that delivers consistent value on quality merchandise. Our stores carry a wide range of products at competitive prices from well-known brand name manufacturers, including Nike, Reebok, adidas, New Balance, Wilson, Spalding and Columbia. We also offer brand name merchandise produced exclusively for us, private label merchandise and specials on quality items we purchased through opportunistic buys of vendor over-stock and close-out merchandise. We reinforce our value reputation through weekly print advertising in major and local newspapers and mailers designed to generate customer traffic, drive sales and build brand awareness.

Founded in 1955, our accumulated management experience and expertise in sporting goods merchandising, advertising, operations and store development have enabled us to generate consistent, profitable growth. As of July 1, 2001, we have realized 22 consecutive quarterly increases in same store sales over comparable prior periods. All but one of our stores have generated positive store-level operating profit in each of the past five fiscal years. For the twelve months ended July 1, 2001, we generated net sales of $599.1 million and EBITDA of $52.2 million. From 1996 through the twelve months ended July 1, 2001, our net sales and EBITDA increased at compounded annual growth rates of 9.1% and 16.7%. We believe our success can be attributed to one of the most experienced management teams in the sporting goods industry, a value-based, execution-driven operating philosophy, a controlled growth strategy and a proven business model.

OUR STRENGTHS

We believe we have been successful due to the following competitive strengths:

LEADING POSITION IN ESTABLISHED MARKETS. We are the market leader in the western United States, operating almost four times as many stores in California, and more than twice as many stores in each of Washington, Oregon, Arizona and Nevada, as any of our full-line sporting goods competitors. This deep penetration of our established markets results in high customer awareness of the Big 5 Sporting Goods name and frequent visits to our conveniently located stores. More sporting goods shoppers identified Big 5 Sporting Goods as the place they purchased sporting goods in the greater Los Angeles area than any other store, according to the most recent Los Angeles Times Sporting Goods Survey. The survey included specialty sporting goods stores such as Foot Locker and Champs, mass merchandisers such as Target and Kmart, and local sporting goods superstores such as Sport Chalet and Sportmart. Surveys in several of our other major metropolitan markets confirm our leading position as a preferred shopping destination for sporting goods.

PROVEN STORE FORMAT. Our typical store averages 11,000 square feet, is conveniently located near our target customers in either a free-standing location or a multi-store shopping center and is designed to minimize operating and maintenance costs. Our format enables us to have substantial flexibility regarding

new store locations. We have successfully operated stores in major metropolitan areas and in areas with as few as 60,000 people. Our format differentiates us from superstores that typically average over 35,000 square feet, require larger target markets, are more expensive to operate and require higher net sales per store for profitability. Our format has also resulted in productivity that we believe is among the highest of any full-line sporting goods retailer, with net sales per gross square foot of approximately $220 for the twelve months ended July 1, 2001.

SUPERIOR MERCHANDISING CAPABILITIES. We have developed considerable expertise in identifying, stocking and selling a broad assortment of full-line sporting goods at competitive prices. We differentiate our product offering by editing our assortment to carry an extensive range of categories but only a selected number of different products in any one category. This effective merchandise mix allows us to offer attractive values to our customers while providing our customers the ability to comparison shop within a category. Our merchandise mix also allows us to minimize inventory levels and maximize shelf space for items we believe will provide attractive returns on investment. Our buyers average 18 years of experience with us and work closely with senior management to determine product selection, promotion and pricing. In addition to our buyers' experience, we utilize an integrated merchandising, distribution, point of sale and financial information system to continuously improve our merchandise mix, pricing strategy, advertising effectiveness and inventory levels.

EXTENSIVE ADVERTISING PROGRAMS AND EXPERTISE. Through years of targeted advertising, we have solidified our reputation for offering quality products at attractive prices. We have advertised almost exclusively through weekly print advertisements since 1955. We typically utilize four-page color advertisements to highlight promotions across our merchandise categories. We believe our print advertising, which includes the weekly distribution of over 12.5 million newspaper inserts and mailers, consistently reaches more households in our established markets than that of our full-line sporting goods competitors. The consistency and reach of our print advertising programs drive sales and create high customer awareness of the name Big 5 Sporting Goods.

SIGNIFICANT MANAGEMENT EXPERIENCE. We believe the experience, commitment and tenure of our professional staff provide a substantial competitive advantage. We were co-founded in 1955 by Robert W. Miller, currently our Chairman, and are managed today by his son, Steven G. Miller, our President and Chief Executive Officer who has worked at our company for 32 years. Our senior-level managers have worked at our company for an average of 28 years. We spend significant time and resources developing our personnel and typically seek to fill positions through internal promotion. The tenure of our management and the scope of their accumulated experience has resulted in valuable expertise regarding our markets, store-level operations, merchandising and advertising.

CONSISTENT GROWTH AND STRONG CASH FLOW. We have been able to generate consistent growth, expand margins and increase our profitability because of our extensive experience, our proven strategy and steady execution of our business model. Our consistent net sales growth combined with improved purchasing, inventory management and economies of scale have enabled us to increase our gross margin from 31.5% in fiscal 1996 to 34.0% in fiscal 2000 and our EBITDA margin from 6.5% in fiscal 1996 to 8.7% in fiscal 2000. Our EBITDA growth combined with our strict management of working capital and low maintenance capital expenditure requirements have resulted in strong cash flow.

STRONG RETURNS ON NEW STORE OPENINGS. Throughout our history, we have sought to expand with the addition of new stores through a disciplined strategy of controlled growth. We have typically utilized cash generated by our operations to invest in new stores. New store openings represent attractive investment opportunities due to the relatively low investment required and the relatively short time in which our new stores become profitable. Based on our operating experience, a new store typically achieves store-level cash-on-cash returns of approximately 35% to 40% in its first full fiscal year of operation.

OUR STRATEGY

Our objective is to build upon these competitive strengths to profitably grow our business and further advance our position as the leading sporting goods retailer in the western United States. We intend to accomplish this by:

- continuing our dedicated focus on execution;
- profitably expanding our store base;
- generating net sales growth through our distinctive merchandise mix and advertising programs; and
- enhancing profitability through increased operating efficiencies.

Big 5 Sporting Goods Corporation is a Delaware corporation. Our principal executive offices are located at 2525 East El Segundo Boulevard, El Segundo, CA 90245. Our telephone number is (310) 536-0611.

THE OFFERING

Common stock offered by us.....	shares
Common stock offered by the selling stockholders.....	shares
Common stock to be outstanding after this offering.....	shares
Use of proceeds.....	We intend to use the net proceeds we receive to redeem our senior discount notes and to redeem our outstanding shares of Series A preferred stock. We will use the remainder of the net proceeds, if any, for general corporate purposes. We will not receive any of the proceeds from the sale of shares by the selling stockholders.
Listing.....	We intend to file an application to have our common stock approved for quotation on The Nasdaq Stock Market's National Market under the symbol " ."

Unless otherwise indicated, all share information in this prospectus is based on the number of shares outstanding as of July 1, 2001 and excludes:

- 60,000 shares of our common stock issuable upon exercise of an outstanding warrant, at a price of $0.01 per share;
- shares of our common stock available for future issuance under our 2001 stock incentive plan; and
- the possible issuance of up to additional shares of our common stock that the underwriters have the option to purchase from us to cover over-allotments.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The summary consolidated financial and other data for the fiscal year ended December 29, 1996 are derived from the unaudited financial statements of our predecessor, Big 5 Corporation. The summary consolidated financial and other data for the fiscal year ended December 28, 1997 are derived from our unaudited financial statements. The summary data presented below under the captions "Statements of Operations Data" and "Balance Sheet Data" for, and as of the end of the fiscal years ended January 3, 1999, January 2, 2000 and December 31, 2000 are derived from our audited consolidated financial statements, which financial statements have been audited by KPMG LLP, independent certified public accountants. The consolidated financial statements as of January 2, 2000 and December 31, 2000, and for each of the fiscal years ended January 3, 1999, January 2, 2000 and December 31, 2000, and the report thereon are included elsewhere in the prospectus. The summary consolidated financial and other data for the 26 weeks ended July 2, 2000 and July 1, 2001 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus and include, in the opinion of management, all adjustments necessary for a fair presentation of our financial position and operating results for these periods and as of such date. Our results for interim periods are not necessarily indicative of our results for a full year's operations. You should read the following tables in conjunction with the consolidated financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

	FISCAL YEARS(1)					26 WEEKS ENDED	
	1997	1998	1999	2000	2000	JULY 2, 2001	JULY 1, 1996
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AND STORE DATA)							
STATEMENTS OF OPERATIONS DATA:							
Net sales	$404,265	$443,541	$491,430	$514,324	$571,476	$266,983	$294,635
Gross profit	127,149	144,648	161,187	172,472	194,436	91,282	101,445
Operating income	16,518	23,039	30,240	31,771	40,393	15,528	17,513
Net income	2,781	8,737	4,506	5,825	11,148	2,732	5,900
Pro forma net income(2)							
Pro forma earnings per share(2):							
Basic	$	$					
Diluted	$	$					
Shares used to calculate pro forma earnings per share(2):							
Basic							
Diluted							
STORE DATA: Same store sales increase(3)	3.7%	6.6%	5.2%	2.0%	6.6%	5.6%	5.9%
Net sales per gross square foot(4)	$ 185	$ 196	$ 206	$ 203	$ 217	$ 104	$ 108
End of period stores	196	210	221	234	249	236	252
Average net sales per store(5)	$ 2,090	$ 2,218	$ 2,324	$ 2,285	$ 2,405	$ 1,154	$ 1,193
OTHER FINANCIAL DATA: Gross margin	31.5%	32.6%	32.8%	33.5%	34.0%	34.2%	34.4%
EBITDA(6)	$ 26,096	$ 34,517	$ 39,130	$ 41,250	$ 49,733	$ 20,174	$ 22,657
EBITDA margin	6.5%	7.8%	8.0%	8.0%	8.7%	7.6%	7.7%
Capital expenditures	$						

3,453 $ 5,151 $ 8,500 $ 13,075 $
11,602 $ 5,237 $ 4,457
Depreciation and
amortization..... 9,578 8,176
8,890 9,479 9,340 4,646 5,144

AS OF JULY 1, 2001 ------------------------- ACTUAL
AS ADJUSTED(2) -------- ------------- (UNAUDITED)
BALANCE SHEET DATA: Net working
capital(7)..... $
83,693 Total
assets.....
256,722 Total
debt.....
180,127 Redeemable preferred
stock..... 55,199
Stockholders'
deficit.....
(87,785)

- ---

(1) Our fiscal year is the 52 or 53 week reporting period ending on the Sunday closest to the calendar year end. Fiscal 1998 consisted of 53 weeks as compared to 52 weeks for each of fiscal years 1996, 1997, 1999 and 2000.

(2) The pro forma statements of operations data and the balance sheet data as adjusted are presented as if this offering and the application of the net proceeds occurred at the beginning of the periods presented for the pro forma statements of operations data and at July 1, 2001 for the balance sheet data as adjusted.

(3) Same store sales data for a period presented reflect net sales for stores open throughout that period as well as the corresponding prior period.

(4) Net sales per gross square foot is calculated by dividing net sales for stores open the entire period by the total gross square footage for those stores.

(5) Average net sales per store is calculated by dividing net sales for stores open the entire period by total store count for stores open the entire period.

(6) EBITDA is operating income before depreciation and amortization and, in fiscal 1997, excludes non-recurring transaction-related expenses. EBITDA is not a measure of financial performance under generally accepted accounting principles, or GAAP. Although EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operating activities and other income or cash flow statement data prepared in accordance with GAAP, or as a measure of profitability or liquidity, we understand that EBITDA is widely used by financial analysts as a measure of financial performance. Our calculation of EBITDA may not be comparable to similarly titled measures reported by other companies.

(7) Net working capital is defined as current assets less current liabilities.

RISK FACTORS

The value of an investment in us will be subject to significant risks inherent in our business. You should carefully consider the risks described below, together with all of the other information included in this prospectus, before purchasing our common stock. If any of the following risks and uncertainties actually occur, our business, financial condition or operating results could be materially and adversely affected. This could cause the trading price of our common stock to decline, perhaps significantly.

RISKS RELATED TO OUR BUSINESS

WE ARE HIGHLY LEVERAGED AND FUTURE CASH FLOWS MAY NOT BE SUFFICIENT TO MEET OUR OBLIGATIONS AND WE MIGHT HAVE DIFFICULTY OBTAINING MORE FINANCING.

We have, and will continue to have, a substantial amount of debt. Upon the application of our net proceeds from this offering, the aggregate amount of our debt will be approximately $ million. Our highly leveraged financial position means:

- a substantial portion of our cash flow from operations will be required to service our indebtedness;
- our ability to obtain financing in the future for working capital, capital expenditures and general corporate purposes might be impeded; and
- we are more vulnerable to economic downturns and our ability to withstand competitive pressures is limited.

Our future cash flow might not be sufficient to meet our obligations and commitments. If we fail to make any required payment under our credit agreement or indentures or if we otherwise default under these instruments, our debt may be accelerated under these instruments. This acceleration could also result in the acceleration of other indebtedness that we may have outstanding at that time.

If we are unable to generate sufficient cash flow from operations to meet our obligations and commitments, we will be required to refinance or restructure our indebtedness or raise additional debt or equity capital. Additionally, we may be required to sell material assets or operations or delay or forego expansion opportunities. These alternative strategies might not be effected on satisfactory terms, if at all.

THE TERMS OF OUR DEBT INSTRUMENTS IMPOSE OPERATING AND FINANCIAL RESTRICTIONS ON US, WHICH MAY IMPAIR OUR ABILITY TO RESPOND TO CHANGING BUSINESS AND ECONOMIC CONDITIONS.

The terms of our debt instruments impose operating and financial restrictions on us, including, among other things, restrictions on our ability to incur additional indebtedness, create or allow liens, pay dividends, engage in mergers, acquisitions or reorganizations, or make capital expenditures. As a result, our ability to respond to changing business and economic conditions and to secure additional financing, if needed, may be significantly restricted, and we may be prevented from engaging in transactions that might further our growth strategy or otherwise benefit us without obtaining consent from our lenders. In addition, our credit facility is secured by a first priority security interest in our trade accounts receivable, merchandise inventories and general intangible assets. In the event of our insolvency, liquidation, dissolution or reorganization, the lenders under our debt instruments would be entitled to payment in full from our assets before distributions, if any, were made to our stockholders.

IF WE ARE UNABLE TO SUCCESSFULLY IMPLEMENT OUR CONTROLLED GROWTH STRATEGIES OR MANAGE OUR GROWING BUSINESS, OUR FUTURE OPERATING RESULTS COULD SUFFER.

One of our strategies includes opening profitable stores in new and existing markets. Our ability to successfully implement our growth strategy could be negatively affected by any of the following:

- suitable sites may not be available for leasing;
- we may not be able to negotiate acceptable lease terms;

- we might not be able to hire and retain qualified store personnel; and

- we might not have the financial resources necessary to fund our expansion plans.

In addition, our expansion in new and existing markets may present competitive, distribution and merchandising challenges that differ from our current challenges. These potential new challenges include competition among our stores, added strain on our distribution center, additional information to be processed by our management information systems and diversion of management attention from ongoing operations. We face additional challenges in entering new markets, including consumers' lack of awareness of us, difficulties in hiring personnel, and problems due to our unfamiliarity with local real estate markets and demographics. New markets may also have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets. To the extent that we are not able to meet these new challenges, our net sales could decrease and our operating costs could increase.

BECAUSE OUR STORES ARE CONCENTRATED IN THE WESTERN UNITED STATES, WE ARE SUBJECT TO REGIONAL RISKS.

Our stores are located in the western United States. Because of this, we are subject to regional risks, such as the economy, weather conditions, power outages, the increasing cost of electricity, earthquakes and other natural disasters and government regulations. For example, particularly in southern California where we have a high concentration of stores, seasonal factors such as unfavorable snow conditions, inclement weather or other localized conditions such as flooding, earthquakes or electricity blackouts could adversely affect our operations. If the region were to suffer an economic downturn or other adverse regional event, there could be an adverse impact on our net sales and profitability and our ability to implement our planned expansion program. Several of our competitors operate stores across the United States and thus are not as vulnerable to these regional risks.

IF WE LOSE KEY MANAGEMENT OR ARE UNABLE TO ATTRACT AND RETAIN THE TALENT REQUIRED FOR OUR BUSINESS, OUR OPERATING RESULTS COULD SUFFER.

Our future success depends to a significant degree on the skills, experience and efforts of Steven G. Miller, our President and Chief Executive Officer, and other key personnel who are not obligated to stay with us. The loss of the services of any of these individuals could harm our business and operations. In addition, as our business grows, we will need to attract and retain additional qualified personnel in a timely manner and develop, train and manage an increasing number of management level sales associates and other employees. Competition for qualified employees could require us to pay higher wages to attract a sufficient number of employees, and increases in the federal minimum wage or other employee benefits costs could increase our operating expenses. If we are unable to attract and retain personnel as needed in the future, our net sales growth and operating results may suffer.

OUR HARDWARE AND SOFTWARE SYSTEMS ARE VULNERABLE TO DAMAGE THAT COULD HARM OUR BUSINESS.

Our success, in particular our ability to successfully manage inventory levels, largely depends upon the efficient operation of our computer hardware and software systems. We use management information systems to track inventory information at the store level, communicate customer information and aggregate daily sales information. These systems and our operations are vulnerable to damage or interruption from:

- earthquake, fire, flood and other natural disasters;

- power loss, computer systems failures, internet and telecommunications or data network failure, operator negligence, improper operation by or supervision of employees, physical and electronic loss of data or security breaches, misappropriation and similar events; and

- computer viruses.

Any failure that causes an interruption in our operations or a decrease in inventory tracking could result in reduced net sales.

IF OUR SUPPLIERS DO NOT PROVIDE SUFFICIENT QUANTITIES OF PRODUCTS, OUR NET SALES AND PROFITABILITY COULD SUFFER.

We purchase merchandise from over 750 vendors. Although we did not rely on any single vendor for more than 7.0% of our total purchases during the twelve months ended July 1, 2001, our dependence on principal suppliers involves risk. Our 20 largest vendors collectively accounted for 34.5% of our total purchases. If there is a disruption in supply from a principal supplier or distributor, we may be unable to obtain merchandise that we desire to sell and that consumers desire to purchase. In addition, a significant portion of the products that we purchase, including those purchased from domestic suppliers, are manufactured abroad. A vendor could discontinue selling to us products manufactured in foreign countries at any time for reasons that may or may not be in our control. Our net sales and profitability could decline if we are unable to promptly replace a vendor who is unwilling or unable to satisfy our requirements with a vendor providing equally appealing products.

BECAUSE ALL OF OUR STORES RELY ON A SINGLE DISTRIBUTION CENTER, ANY DISRUPTION COULD ADVERSELY AFFECT OUR NET SALES.

We currently rely on a single distribution center in Fontana, California. Any natural disaster or other serious disruption to this distribution center due to fire, earthquake or any other cause could damage a significant portion of our inventory and could materially impair both our ability to adequately stock our stores and our net sales and profitability. If the security measures used at our distribution center do not prevent inventory theft, our gross margin may significantly decrease. In addition, because of limited capacity at the current distribution center, we will need to build a replacement distribution center in the next two to three years. Any disruption to, or delay in, this process could adversely affect our future operations.

SOME OF OUR COMPENSATION PRACTICES HAVE BEEN CHALLENGED IN A COMPLAINT THAT, IF SUCCESSFUL, COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

On August 9, 2001, we received a copy of a complaint filed in the California Superior Court in Los Angeles entitled Mosely, et al., v. Big 5 Corp., Case No. BC255749, alleging violations of the California Labor Code and the Business and Professions Code. This complaint was brought as a purported class action with two subclasses comprised of our California store managers and our California first assistant store managers. The plaintiffs allege that we improperly classified our store managers and first assistant store managers as exempt employees not entitled to overtime pay for work in excess of forty hours per week. They seek, on behalf of the class members, back pay for overtime allegedly not paid, statutory penalties in the amount of an additional thirty days' wages for each employee whose employment terminated in the four years preceding the complaint and injunctive relief to require us to treat our store management as non-exempt. The complaint has only recently been filed. We have not yet answered the complaint and discovery has not commenced. We intend to defend the case vigorously. This litigation could have a material adverse effect on our financial condition, and any required change in our labor practices, as well as costs of defending this litigation, could have a negative impact on our results of operations.

RISKS RELATED TO OUR INDUSTRY

A DOWNTURN IN THE ECONOMY MAY AFFECT CONSUMER PURCHASES OF DISCRETIONARY ITEMS, WHICH COULD REDUCE OUR NET SALES.

In general, our sales represent discretionary spending by our customers. Discretionary spending is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, taxation, electricity power rates, unemployment trends and other matters that influence consumer confidence and spending. Our customers' purchases of discretionary items, including our products, could decline during periods when disposable income is lower

or periods of actual or perceived unfavorable economic conditions. If this occurs, our net sales and profitability could decline.

SEASONAL FLUCTUATIONS IN THE SALES OF SPORTING GOODS COULD CAUSE OUR ANNUAL OPERATING RESULTS TO SUFFER SIGNIFICANTLY.

We experience seasonal fluctuations in our net sales and operating results. In fiscal 2000, we generated 27.7% of our net sales and 38.0% of our operating income in the fourth fiscal quarter, which includes the holiday selling season as well as the peak winter sports selling season. As a result, we incur significant additional expenses in the fourth fiscal quarter due to higher purchase volumes and increased staffing. If we miscalculate the demand for our products generally or for our product mix during the fourth fiscal quarter, our net sales could decline, resulting in excess inventory, which could harm our financial performance. Because a substantial portion of our operating income is derived from our fourth fiscal quarter net sales, a shortfall in expected fourth fiscal quarter net sales could cause our annual operating results to suffer significantly.

INTENSE COMPETITION IN THE SPORTING GOODS INDUSTRY COULD LIMIT OUR GROWTH AND REDUCE OUR PROFITABILITY.

The retail market for sporting goods is highly fragmented and intensely competitive. We compete directly or indirectly with the following categories of companies:

- other traditional sporting goods stores and chains;

- mass merchandisers, discount stores and department stores, such as Wal-Mart, Kmart, Target, JC Penney and Sears;

- specialty sporting goods shops and pro shops, such as The Athlete's Foot and Foot Locker;

- sporting goods superstores, such as The Sports Authority and Gart Sports Company; and

- internet retailers.

Some of our competitors have a larger number of stores and greater financial, distribution, marketing and other resources than we have. In addition, if our competitors reduce their prices, it may be difficult for us to reach our net sales goals without reducing our prices. As a result of this competition, we may also need to spend more on advertising and promotion than we anticipate. If we are unable to compete successfully, our operating results will suffer.

WE MAY INCUR COSTS FROM LITIGATION OR INCREASED REGULATION RELATING TO PRODUCTS THAT WE SELL, PARTICULARLY FIREARMS.

We sell products manufactured by third parties, some of which may be defective. If any product that we sell were to cause physical injury or injury to property, the injured party or parties could bring claims against us as the retailer of the product. Our insurance coverage may not be adequate to cover every claim that could be asserted against us. If a successful claim were brought against us in excess of our insurance coverage, it could harm our business. Even unsuccessful claims could result in the expenditure of funds and management time and could have a negative impact on our business. In addition, we are subject to regulation by the Consumer Product Safety Commission and similar state regulatory agencies. If we fail to comply with government and industry safety standards, we may be subject to claims, lawsuits, fines and adverse publicity that could adversely affect our operating results.

In addition, we sell firearms, products associated with an increased risk of injury and related lawsuits. Sales of firearms and ammunition represented approximately 2.7% of our net sales in fiscal 2000. We may incur losses due to lawsuits relating to our performance of background checks on firearms purchases as mandated by state and federal law or the improper use of firearms sold by us, including lawsuits by municipalities or other organizations attempting to recover costs from firearms manufacturers and retailers relating to the misuse of firearms. In addition, in the future there may be increased federal, state or local regulation, including taxation, of the sale of firearms in both our current markets as well as future markets

in which we may operate. Commencement of these lawsuits against us or the establishment of new regulations could reduce our net sales and decrease our profitability.

IF WE FAIL TO ANTICIPATE CHANGES IN CONSUMER PREFERENCES, WE MAY EXPERIENCE LOWER NET SALES, HIGHER INVENTORY MARKDOWNS AND LOWER MARGINS.

Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty. These preferences are also subject to change. Our success depends upon our ability to anticipate and respond in a timely manner to trends in sporting goods merchandise and consumers' participation in sports. If we fail to identify and respond to these changes, our net sales may decline. In addition, because we often make commitments to purchase products from our vendors up to six months in advance of the proposed delivery, if we misjudge the market for our merchandise, we may over-stock unpopular products and be forced to take inventory markdowns that could have a negative impact on profitability.

RISKS RELATED TO THIS OFFERING

BECAUSE OF THEIR SIGNIFICANT STOCK OWNERSHIP, OUR OFFICERS, DIRECTORS AND A SUBSTANTIAL STOCKHOLDER MAY BE ABLE TO EXERT SIGNIFICANT CONTROL OVER OUR FUTURE DIRECTION.

After this offering, our executive officers and directors, their affiliates and a substantial stockholder will together control approximately % of our outstanding common stock. As a result, these stockholders, if they act together, may be able to control, as a practical matter, all matters requiring our stockholders' approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may delay, prevent or deter a change in control, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of the company or its assets and might adversely affect the market price of our common stock.

THE PRICE OF OUR COMMON STOCK AFTER THIS OFFERING MAY BE LOWER THAN THE OFFERING PRICE YOU PAY AND MAY BE VOLATILE.

Prior to this offering, our common stock has not been sold in a public market. After this offering, an active trading market in our common stock might not develop. If an active trading market develops, it may not continue. Moreover, if an active market develops, the trading price of our common stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market prices of many companies. These broad market fluctuations could adversely affect the market price of our common stock. A significant decline in our stock price could result in substantial losses for individual stockholders and could lead to costly and disruptive securities litigation. If you purchase shares of our common stock in this offering, you will pay a price that was not established in a competitive market. Rather, you will pay a price that was negotiated with the representatives of the underwriters based upon a number of factors. The price of our common stock that will prevail in the market after this offering may be higher or lower than the offering price.

SUBSTANTIAL AMOUNTS OF OUR COMMON STOCK COULD BE SOLD IN THE NEAR FUTURE, WHICH COULD DEPRESS OUR STOCK PRICE.

Prior to this offering, there has been no public market for our common stock. We cannot predict the effect, if any, that market sales of shares of common stock or the availability of shares of common stock for sale will have on the market price of our common stock prevailing from time to time. All of the outstanding shares of common stock belonging to officers, directors and other stockholders are currently "restricted securities" under the Securities Act. Some of these shares will be included in the sale of shares in this offering. The remaining shares are eligible for future sale in the public market at prescribed times pursuant to Rule 144 under the Securities Act, or otherwise. Sales of a significant number of these shares of common stock in the public market could adversely affect the market price of the common stock.

Green Equity Investors, L.P. owns 723,577 shares of our common stock and has the right to require us to register the common stock held by it at any time pursuant to a registration rights agreement entered into in 1992. In addition, holders of 1,444,800 shares of our common stock will have piggyback registration rights after the consummation of this offering. All of these holders, including Green Equity Investors, L.P., have agreed not to sell or otherwise dispose of any of their shares, other than those shares being sold in this offering, for a period of 180 days after the consummation of this offering. If, upon the expiration of the 180 days, Green Equity Investors, L.P. exercises its right to require us to register its shares for resale, the market price of our common stock could decline.

OUR ANTI-TAKEOVER PROVISIONS COULD PREVENT OR DELAY A CHANGE IN CONTROL OF OUR COMPANY, EVEN IF SUCH CHANGE OF CONTROL WOULD BE BENEFICIAL TO OUR STOCKHOLDERS.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws as well as provisions of Delaware law could discourage, delay or prevent a merger, acquisition or other change in control of our company, even if such change in control would be beneficial to our stockholders. These provisions include:

- a board of directors that is classified such that only one-third of directors are elected each year;

- authorizing the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;

- limitations on the ability of stockholders to call special meetings of stockholders;

- prohibiting stockholder action by written consent and requiring all stockholder actions to be taken at a meeting of our stockholders; and

- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, Section 203 of the Delaware General Corporations Law limits business combination transactions with 15% stockholders that have not been approved by the board of directors. These provisions and other similar provisions make it more difficult for a third party to acquire us without negotiation. These provisions may apply even if the transaction may be considered beneficial by some stockholders.

INVESTORS WILL INCUR IMMEDIATE AND SUBSTANTIAL DILUTION IN THE BOOK VALUE OF THEIR INVESTMENT.

The initial public offering price will be substantially higher than the net tangible book value per share of the outstanding common stock. If you purchase shares of our common stock, you will incur immediate and substantial dilution in the amount of $ per share, based on an assumed initial public offering price of $ per share, which is the mid-point of the initial public offering price range set forth on the cover of this prospectus. This means that if we were to be liquidated immediately after the offering, there may be no assets available for distribution to you after satisfaction of all of our obligations to creditors. Investors will incur additional dilution upon the exercise of the outstanding warrant.

FORWARD-LOOKING STATEMENTS

Some of the statements under "Prospectus Summary", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business", and elsewhere in this prospectus constitute forward-looking statements. These statements involve risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential", "continue" or the negative of these terms or other comparable terminology.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these statements. Except as required by law, we do not intend to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results.

USE OF PROCEEDS

We expect to receive approximately $78.1 million in net proceeds from the sale of shares of our common stock in this offering based on the sale of million shares at an assumed initial public offering price of $ per share, the mid-point of the initial public offering price range set forth on the cover of this prospectus. If the underwriters exercise their over-allotment option in full, we expect our net proceeds to be approximately $87.4 million.

We intend to use the net proceeds from this offering to:

- redeem in full all of our 13.45% senior discount notes due 2008 for an aggregate redemption price of approximately $ million; and

- redeem in full all outstanding shares of our redeemable Series A 13.45% senior exchangeable preferred stock for an aggregate redemption price of approximately $ million.

If the underwriters do not exercise their over-allotment option, we intend to draw upon our credit facility to fully fund these uses. If the underwriters exercise their over-allotment option, any additional net proceeds to us will be used to fund general corporate purposes. Pending application of the net proceeds as described above, we intend to invest the net proceeds in short-term investment grade securities.

We will not receive any of the proceeds from the sale of shares by the selling stockholders.

DIVIDEND POLICY

We anticipate that we will retain all of our earnings in the foreseeable future to finance the expansion of our business and, therefore, we do not anticipate paying any cash dividends on our shares of common stock in the foreseeable future. In addition, our credit facility and the indentures governing our outstanding senior notes and senior discount notes place limitations on our ability to pay dividends or make other distributions in respect of our common stock. Our future dividend policy will also depend on the requirements of any future financing agreements to which we may be a party and other factors considered relevant by our board of directors, including the General Corporation Law of the State of Delaware, which provides that dividends are only payable out of surplus or current net profits.

CAPITALIZATION

The following table sets forth our capitalization as of July 1, 2001:

- on an actual basis; and

- on an as adjusted basis to give effect to the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, which is the mid-point of the initial public offering price range set forth on the cover of this prospectus, and the intended application of the net proceeds.

AS OF JULY 1, 2001	ACTUAL	AS ADJUSTED
	(UNAUDITED) (DOLLARS IN MILLIONS)	
Total debt:		
Revolving credit facility(1)	$ 53.3	$
10.875% senior notes due 2007	103.8	
13.45% senior discount notes due 2008	23.0	--
Total debt		
180.1		
Redeemable Series A 13.45% senior exchangeable preferred stock, $0.01 par value, authorized 350,000 shares; issued and outstanding 350,000 shares actual; no shares issued and outstanding as adjusted	55.2	--
Stockholders' deficit:		
Preferred stock, $0.01 par value, authorized 1,150,000 shares; no shares issued and outstanding actual; no shares issued and outstanding as adjusted	--	--
Common stock, $0.01 par value per share, 5,000,000 shares authorized, 1,926,500 shares issued and outstanding, actual; shares issued and outstanding as adjusted	--	--
Additional paid-in capital	10.0	
Accumulated deficit	(97.8)	
Stockholders' deficit	(87.8)	--
Total capitalization	$147.5	$

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(1) As of July 1, 2001, on an actual basis, there was $55.3 million available for additional borrowings under our revolving credit facility.

DILUTION

The net tangible book value of our common stock on July 1, 2001 was $ million, or approximately $ per share. Net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value per share of our common stock immediately afterwards. After giving effect to the sale of shares at an assumed initial public offering price of $ per share, which is the mid-point of the initial public offering price range set forth on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and offering expenses payable by us, our net tangible book value at July 1, 2001 would have been approximately $ million, or $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution in net tangible book value of $ per share to new investors purchasing shares of common stock in this offering. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share.....		$
Net tangible book value per share at July 1, 2001.....	$	
Increase per share attributable to this offering.....	$	
As adjusted net tangible book value per share after this offering.....		$
Dilution per share to new investors.....		$

The following table summarizes, on an as adjusted basis, as of , 2001, the total number of shares of our common stock, the total consideration paid and the average price per share paid by existing stockholders and by the new investors in this offering, calculated before deducting the estimated underwriting discounts and commissions and offering expenses:

	SHARES PURCHASED		TOTAL CONSIDERATION	
	NUMBER	PERCENT	AMOUNT	PERCENT
AVERAGE PRICE PER SHARE				
Existing stockholders.....				
New investors.....				
Total.....				

The foregoing discussion and tables assume no exercise by the underwriters of their over-allotment option and no exercise of the outstanding warrant for 60,000 shares of our common stock that is exercisable at $0.01 per share. shares are reserved for issuance under our 2001 stock incentive plan. To the extent the over-allotment option or the outstanding warrant is exercised, or any shares under the 2001 stock incentive plan are issued, there may be further dilution to new investors.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The selected consolidated financial data for the fiscal year ended December 29, 1996 are derived from the unaudited financial statements of our predecessor, Big 5 Corporation. The selected consolidated financial and other data for the fiscal year ended December 28, 1997 are derived from our unaudited financial statements. The selected data presented below under the captions "Statements of Operations Data" and "Balance Sheet Data" for, and as of the end of, the fiscal years ended January 3, 1999, January 2, 2000 and December 31, 2000 are derived from our audited consolidated financial statements, which financial statements have been audited by KPMG LLP, independent certified public accountants. The consolidated financial statements as of January 2, 2000 and December 31, 2000, and for each of the years ended January 3, 1999, January 2, 2000 and December 31, 2000, and the report thereon are included elsewhere in this prospectus. The selected consolidated financial and other data for the 26 weeks ended July 2, 2000 and July 1, 2001 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus and include, in the opinion of management, all adjustments necessary for a fair presentation of our financial position and operating results for these periods and as of such date. Our results for interim periods are not necessarily indicative of our results for a full year's operations. You should read the following tables in conjunction with the consolidated financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

	FISCAL YEARS(1)				26 WEEKS ENDED	
					JULY 2, 2000	JULY 1, 2001
	1996	1997	1998	1999		
	(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AND STORE DATA)					
STATEMENTS OF OPERATIONS DATA:						
Net sales	$404,265	$443,541	$491,430	$514,324	$571,476	$266,983	$294,635
Cost of goods sold, buying and occupancy	277,116	298,893	330,243	341,852	377,040	175,701	193,190
Gross profit	127,149	144,648	161,187	172,472	194,436	91,282	101,445
Selling and administrative	101,053	113,433	122,057	131,222	144,703	71,108	78,788
Depreciation and amortization	9,578	8,176	8,890	9,479	9,340	4,646	5,144
Operating income	16,518	23,039	30,240	31,771	40,393	15,528	17,513
Interest expense, net	11,482	12,879	22,975	21,574	22,008	11,063	10,181
Income before income taxes and extraordinary gain	5,036	10,160	7,265	10,197	18,385	4,465	7,332
Income taxes	970	(174)	2,838	4,000	7,324	1,820	3,032
Income before extraordinary gain	4,066	10,334	4,427	6,197	11,061	2,645	4,300
Extraordinary gain (loss) from early extinguishment of debt, net of income taxes	(1,285)	(1,597)	79	(372)	87	87	1,600
Net income	2,781	8,737	4,506	5,825	11,148	2,732	5,900
Redeemable preferred stock dividends	1,350	1,763	5,036	5,621	6,400	3,092	3,529
Net income (loss) available to common stockholders	$ 1,431	$ 6,974	$ (530)	$ 204	$ 4,748	$ (360)	$ 2,371
Earnings (loss) per share:							
Basic	$ 0.36	$ 1.87	$ (0.27)	$ 0.11	$ 2.46	$ (0.19)	$ 1.23
Diluted	$ 0.32	$ 1.67	$ (0.27)	$ 0.10	$ 2.39	$ (0.19)	$ 1.19
Shares used to calculate earnings							

per share:
Basic.....
3,974 3,721 1,934 1,927 1,927 1,927 1,927
Diluted.....
4,429 4,177 1,934 1,987 1,987 1,927 1,987 STORE
DATA: Same store sales
increase(2)..... 3.7% 6.6% 5.2%
2.0% 6.6% 5.6% 5.9% Net sales per gross square
foot(3)..... $ 185 $ 196 $ 206 $ 203 $
217 $ 104 $ 108 End of period
stores..... 196 210 221
234 249 236 252 Average net sales per
store(4)..... $ 2,090 $ 2,218 $
2,324 $ 2,285 $ 2,405 $ 1,154 $ 1,193 OTHER
FINANCIAL DATA: Gross
margin.....
31.5% 32.6% 32.8% 33.5% 34.0% 34.2% 34.4%
EBITDA(5).....
$ 26,096 $ 34,517 $ 39,130 $ 41,250 $ 49,733 $
20,174 $ 22,657 EBITDA
margin..... 6.5%
7.8% 8.0% 8.0% 8.7% 7.6% 7.7% Capital
expenditures..... $
3,453 $ 5,151 $ 8,500 $ 13,075 $ 11,602 $ 5,237 $
4,457 BALANCE SHEET DATA: Cash and cash
equivalents..... $ 4,797 $
1,364 $ -- $ -- $ -- $ -- Net working
capital(6)..... 70,428
80,299 66,873 71,289 69,427 81,882 83,693 Total
assets.....
197,869 220,863 216,048 227,945 248,981 241,690
256,722 Total
debt.....
86,450 198,286 176,591 178,446 172,098 187,349
180,127 Redeemable preferred
stock..... 20,756 35,000
39,866 45,408 51,721 48,462 55,199 Stockholders'
equity (deficit)..... 11,099
(94,510) (95,102) (94,902) (90,156) (95,264)
(87,785)

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(1) Our fiscal year is the 52 or 53 week reporting period ending on the Sunday closest to the calendar year end. Fiscal 1998 consisted of 53 weeks as compared to 52 weeks for each of fiscal years 1996, 1997, 1999 and 2000.

(2) Same store sales data for a period presented reflect stores open throughout that period as well as the corresponding prior period.

(3) Net sales per gross square foot is calculated by dividing net sales for stores open the entire period by the total gross square footage for those stores.

(4) Average net sales per store is calculated by dividing net sales for stores open the entire period by total store count for stores open the entire period.

(5) EBITDA is operating income before depreciation and amortization and, in fiscal 1997, excludes non-recurring transaction-related expenses. EBITDA is not a measure of financial performance under generally accepted accounting principles, or GAAP. Although EBITDA should not be considered in isolation or as a substitute for net income, cash flows from operating activities and other income or cash flow statement data prepared in accordance with GAAP, or as a measure of profitability or liquidity, we understand that EBITDA is widely used by financial analysts as a measure of financial performance. Our calculation of EBITDA may not be comparable to similarly titled measures reported by other companies.

(6) Net working capital is defined as current assets less current liabilities.

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

Throughout this section, our fiscal years ended January 3, 1999, January 2, 2000 and December 31, 2000 are referred to as 1998, 1999 and 2000, respectively. The following discussion and analysis of our financial condition and results of operations for 1998, 1999 and 2000 and the 26 weeks ended July 2, 2000 and July 1, 2001 should be read in conjunction with the financial statements and related notes included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategies for our business, includes forward-looking statements that involve risk and uncertainties. You should review the "Risk Factors" set forth elsewhere in this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained herein.

OVERVIEW

We are the leading sporting goods retailer in the western United States, operating 252 stores in 10 states under the name "Big 5 Sporting Goods." We provide a full-line product offering of over 25,000 stock keeping units in a traditional sporting goods store format that averages 11,000 square feet. Our product mix includes athletic shoes, apparel and accessories, as well as a broad selection of outdoor and athletic equipment for team sports, fitness, camping, hunting, fishing, tennis, golf, snowboarding and in-line skating. We believe over the past 46 years we have developed a reputation with the competitive and recreational sporting goods customer as a convenient neighborhood sporting goods retailer that delivers consistent value on quality merchandise.

Throughout our 46 year history, we have emphasized controlled growth. The following table summarizes our store count for the periods presented:

	26 WEEKS ENDED JULY 2, 2000	FISCAL YEAR ENDED JULY 1, 2001	1998	1999	2000
BIG 5 SPORTING GOODS STORES Beginning of period	234	234	210	221	249
New stores(1)	12	15	15	2	6
Stores relocated	(1)	(1)	--	--	(3)
Stores closed	(1)	--	--	--	--
End of Period	234	249	236	252	252

(1) Stores that are relocated during any period are classified as new stores.

BASIS OF REPORTING

Net Sales

Net sales consists of sales from all stores operated during the period presented, net of merchandise returns. Same store sales for a period reflect net sales from stores operated throughout that period as well as the corresponding prior period. New store sales for a period reflect net sales from stores opened in that period as well as net sales from stores opened during the prior fiscal year. Stores that are relocated during any period are treated as new stores.

Gross Profit

Gross profit is comprised of net sales less all costs of sales, including the cost of merchandise, inventory markdowns, inventory shrinkage, inbound freight, distribution and warehousing, payroll for our buying personnel and store occupancy costs. Store occupancy costs include rent, contingent rents, common area maintenance and real estate property taxes.

Selling and Administrative

Selling and administrative includes store management and corporate expenses, including non-buying personnel payroll, employment taxes, employee benefits, management information systems, advertising, insurance, legal, store pre-opening expenses and other corporate level expenses. Store pre-opening expenses include store-level payroll, grand opening event marketing, travel, supplies and other store opening expenses.

Depreciation and Amortization

Depreciation and amortization consists primarily of the depreciation of leasehold improvements, fixtures and equipment owned by us, amortization of leasehold interest and goodwill and non-cash rent expense.

RESULTS OF OPERATIONS

The following table sets forth selected items from our statements of operations as a percentage of our net sales for the periods indicated:

26 WEEKS ENDED		FISCAL YEAR			
JULY 2, 2001	JULY 1, 2000	1998	1999	2000	2000
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Costs of sales	67.2	66.5	66.0	65.8	65.6
Gross profit	32.8	33.5	34.0	34.2	34.4
Selling and administrative	24.8	25.5	25.3	26.6	26.8
Depreciation and amortization	1.8	1.8	1.6	1.7	1.7
Operating income	6.2	6.2	7.1	5.9	5.9
Interest expense, net	4.7	4.2	3.9	4.2	3.5
Income before income tax expense	1.5	2.0	3.2	1.7	2.4
Income tax expense	0.6	0.8	1.3	0.7	1.0
Extraordinary gain/(loss)	0.0	(0.1)	0.0	0.0	0.5
Net income	0.9%	1.1%	1.9%	1.0%	1.9%

26 WEEKS ENDED JULY 1, 2001 COMPARED TO 26 WEEKS ENDED JULY 2, 2000

Net Sales. Net sales increased by $27.6 million, or 10.4%, to $294.6 million in the first 26 weeks of 2001 from $267.0 million in the first 26 weeks of 2000. This growth reflected an increase of $15.7 million in same store sales and an increase of $13.3 million in new store sales. The remaining variance is attributable to net sales from closed stores. Same store sales increased by 5.9% in the first 26 weeks of 2001. The increase in same store sales was attributable to higher net sales in the majority of our merchandise categories. New store sales reflect the opening of 6 stores during the first 26 weeks of 2001 as well as 15 new stores opened during 2000. As of July 1, 2001, we have realized 22 consecutive quarterly increases in same store sales over comparable prior periods.

Gross Profit. Gross profit increased by $10.1 million, or 11.1%, to $101.4 million in the first 26 weeks of 2001 from $91.3 million in the first 26 weeks of 2000. Gross profit was 34.4% of net sales in the first 26 weeks of 2001 compared to 34.2% in the first 26 weeks of 2000. We achieved higher gross margins primarily due to improved gross margins in the majority of our product categories as well as increased same store sales that resulted in decreased occupancy costs as a percentage of net sales.

Selling and Administrative. Selling and administrative increased by $7.7 million, or 10.8%, to $78.8 million in the first 26 weeks of 2001 from $71.1 million in the first 26 weeks of 2000. The increase in selling and administrative reflects an increase in our store base from 236 stores at July 2, 2000 to 252 at July 1, 2001. Selling and administrative was 26.8% of net sales in the first 26 weeks of 2001 compared to

26.6% in the first 26 weeks of 2000. The increase in selling and administrative on a percentage basis was due to one-time expenses related to training of our store personnel for the completion of the rollout of our new point of sale systems to all stores.

Depreciation and Amortization. Depreciation and amortization increased by $0.5 million, or 10.7%, to $5.1 million in the first 26 weeks of 2001 from $4.6 million in the first 26 weeks of 2000. The increase was primarily due to added depreciation and amortization related to expenditures for the growth in our store base, as well as depreciation related to expenditures for our new point of sale system.

Interest Expense, net. Interest expense, net decreased by $0.9 million, or 8.0%, to $10.2 million in the first 26 weeks of 2001 from $11.1 million in the first 26 weeks of 2000. This decrease reflected lower average daily debt balances during the first 26 weeks of 2001, in addition to lower average interest rates related to our credit facility.

Income Taxes. Provision for income taxes was $3.0 million for the first 26 weeks of 2001 and $1.8 million for the first 26 weeks of 2000. Our effective income tax rate for the first 26 weeks of 2001 was 41.4% as compared to 40.8% for the first 26 weeks of 2000. Income taxes are based on the estimated effective tax rate for the entire fiscal year applied to the pre-tax income for the period.

Extraordinary Gain From Early Extinguishment of Debt. We incurred an extraordinary gain of $1.6 million, net of taxes, for the first 26 weeks of 2001, in connection with the repurchase of $12.5 million face value of our senior discount notes. We incurred an extraordinary gain of $0.1 million, net of taxes, for the first 26 weeks of 2000, in connection with the repurchase of $7.8 million of our senior notes.

FISCAL 2000 COMPARED TO FISCAL 1999

Net Sales. Net sales increased by $57.2 million, or 11.1%, to $571.5 million in 2000 from $514.3 million in 1999. This growth reflected an increase of $33.3 million in same store sales and an increase of $21.6 million in new store sales. The remaining variance is attributable to net sales from closed stores. Same store sales increased by 6.6% in 2000. The increase in same store sales was primarily attributable to higher net sales in the majority of our merchandise categories led by growth in the exercise, skating (including scooters), winter apparel, golf, water sports and snowboard equipment categories. The increase in same store sales was in part due to a significant increase in the sale of scooters during the second half of 2000. We do not expect to realize comparable scooter sales volume in 2001. The increase in new store sales reflected the opening of 15 stores during 2000 and 15 stores during 1999.

Gross Profit. Gross profit increased by $21.9 million, or 12.7%, to $194.4 million in 2000 from $172.5 million in 1999. Gross profit was 34.0% of net sales in 2000 compared to 33.5% in 1999. We were able to achieve higher gross margins in the majority of our product categories in 2000.

Selling and Administrative. Selling and administrative increased by $13.5 million, or 10.3%, to $144.7 million in 2000 from $131.2 million in 1999. The increase was primarily due to the increase in our store count, added store labor in response to positive sales trends and increases in advertising expenses during particular periods of 2000. Selling and administrative was 25.3% of net sales in 2000 compared to 25.5% in 1999. The decrease resulted from the 6.6% increase in same store sales that allowed us to leverage certain costs included in selling and administrative.

Depreciation and Amortization. Depreciation and amortization decreased by $0.2 million, or 1.5%, to $9.3 million in 2000 from $9.5 million in 1999. This decrease resulted primarily from the completion in the fourth quarter of 1999 of depreciation of fixed assets related to our original acquisition by Green Equity Investors, L.P. and management in 1992 and a decrease in non-cash rent expense. These decreases were partially offset by added depreciation and amortization related to expenditures for the growth in our store base during 2000, with store count growing from 234 at the end of 1999 to 249 at the end of 2000.

Interest Expense, net. Interest expense, net increased by $0.4 million, or 2.0%, to $22.0 million in 2000 from $21.6 million in 1999. This increase was primarily due to higher interest rates on our credit

facility in 2000 versus 1999 and accretion on our senior discount notes. This increase was partially offset by lower average debt balances for our credit facility and senior notes in 2000 versus 1999.

Income Taxes. Provision for income taxes was $7.3 million in 2000 and $4.0 million in 1999. Our effective income tax rate for 2000 was 39.8% as compared to 39.2% for 1999.

Extraordinary Gain From Early Extinguishment of Debt. We incurred an extraordinary gain of $0.1 million, net of taxes in 2000, in connection with the repurchase of $7.8 million of our senior notes. We incurred an extraordinary loss of $0.4 million, net of taxes, in 1999, in connection with the repurchase of $19.1 million of our senior notes and $2.5 million face value of our senior discount notes.

FISCAL 1999 COMPARED TO FISCAL 1998

Extra Week in 1998. Our fiscal year ends on the Sunday nearest to December 31 and generally results in a 52 week fiscal year. Fiscal 1998 included 53 weeks. For purposes of annual comparisons, unless otherwise noted, we have not adjusted for this difference.

Net Sales. Net sales increased by $22.9 million, or 4.7%, to $514.3 million in 1999 from $491.4 million in 1998. This growth reflected an increase of $9.5 million in same store sales, an increase of $22.5 million in new store sales and a decrease of $7.7 million related to the extra week of sales included in 1998's 53 week results. The remaining variance is attributable to net sales from closed stores. Same store sales increased by 2.0% from 1998 to 1999. The increase in same store sales was primarily attributable to strong sales of outdoor related products. Unfavorable weather resulted in lower snowboard and winter apparel sales during the year while the majority of our remaining categories showed positive results for the year. The increase in new store sales reflected the opening of 15 stores in 1999 and 12 stores in 1998.

Gross Profit. Gross profit increased by $11.3 million, or 7.0%, to $172.5 million in 1999 from $161.2 million in 1998. Gross profit was 33.5% of net sales in 1999 compared to 32.8% in 1998. We were able to achieve higher gross margins in the majority of our product categories in 1999.

Selling and Administrative. Selling and administrative increased by $9.2 million, or 7.5%, to $131.2 million in 1999 from $122.1 million in 1998. Selling and administrative was 25.5% of net sales in 1999 compared to 24.8% in 1998. The increase was primarily due to increases in store related expenses as well as increases in advertising expenses during particular periods of 1999.

Depreciation and Amortization. Depreciation and amortization increased by $0.6 million, or 6.6%, to $9.5 million in 1999 from $8.9 million in 1998. The increase was due primarily to added depreciation and amortization related to expenditures for the growth in our store base during 1999, with store count growing from 221 at the end of 1998 to 234 at the end of 1999.

Interest Expense, net. Interest expense, net decreased by $1.4 million, or 6.1%, to $21.6 million in 1999 from $23.0 million in 1998. This decrease was primarily due to lower average debt balances during 1999 versus 1998.

Income Taxes. Provision for income taxes was $4.0 million in 1999 and $2.8 million in 1998. Our effective income tax rate for 1999 was 39.2% as compared to 39.1% for 1998.

Extraordinary Loss From Early Extinguishment of Debt. We incurred an extraordinary loss of $0.4 million, net of taxes in 1999, in connection with the repurchase of $19.1 million of our senior notes and $2.5 million face value of our senior discount notes. We incurred an extraordinary gain of $0.1 million, net of taxes in 1998, in connection with the repurchase of $5.0 million face value of our senior discount notes.

UNAUDITED QUARTERLY OPERATING RESULTS

The following table sets forth, for the periods indicated, our results of operations and selected items in our consolidated statements of operations as a percentage of total year results and as a percentage of net sales. The information for each of these quarters is unaudited and has been prepared on the same basis as our audited financial statements appearing elsewhere in this prospectus. In the opinion of our management, all necessary adjustments, consisting only of normal recurring adjustments, have been included to present fairly the unaudited quarterly results when read in conjunction with our audited consolidated financial statements and the related notes appearing elsewhere in this prospectus.

FISCAL 1999				FISCAL 2000			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(DOLLARS IN THOUSANDS) Results of operations:							
Net sales	$117,097	$125,579	$131,440	$140,208	$129,712	$137,271	$146,169
Gross profit	38,269	43,857	43,040	47,306	42,888	48,394	48,913
Selling and administrative	31,823	32,787	33,820	32,792	34,941	36,167	37,060
Depreciation and amortization	2,380	2,335	2,386	2,378	2,329	2,317	2,325
Operating income	4,066	8,735	6,834	12,136	5,618	9,910	9,528
Net income	(837)	1,880	500	4,282	134	2,598	2,422
Same store sales increase		0.8%	1.1%	2.9%	3.5%	6.2%	5.0%
Percentage of total year:(1)							
Net sales	22.8%	24.4%	25.6%	27.3%	22.7%	24.0%	24.5%
Operating income	12.8%	27.5%	21.5%	38.2%	13.9%	24.5%	23.8%
Percentage of net sales:							
Gross profit	32.7%	34.9%	32.7%	33.7%	33.1%	35.3%	33.5%
Selling and administrative	27.2%	26.1%	25.7%	23.4%	26.9%	26.3%	25.3%
Operating income	3.5%	7.0%	5.2%	8.7%	4.3%	7.2%	6.5%

FISCAL 2000				FISCAL 2001			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(DOLLARS IN THOUSANDS) Results of operations:							
Net sales	$146,169	$158,324	$143,179	$151,456			
Gross profit	48,913	54,241	47,837	53,609			
Selling and administrative	37,060	36,535	38,252	40,537			
Depreciation and amortization	2,325	2,369	2,574	2,570			
Operating income	9,528	15,337	7,011	10,502			
Net income	2,422	5,994	2,643	3,257			
Same store sales increase		7.2%	8.1%	6.1%	5.8%		
Percentage of total							

year:(1) Net
sales.....
25.6% 27.7% NA NA Operating
income.....
23.6% 38.0% NA NA Percentage
of net sales: Gross
profit.....
33.5% 34.3% 33.4% 35.4%
Selling and
administrative..... 25.4%
23.1% 26.7% 26.8% Operating
income..... 6.5%
9.7% 4.9% 6.9%

- ---

(1) Percentages may not add to 100.0% due to rounding.

We have experienced, and expect to continue to experience, fluctuations in our quarterly operating results. Although there are numerous factors that can contribute to these fluctuations, the principal factor is seasonality in the fourth fiscal quarter, which includes a seasonal weather change from fall to winter, the holiday selling season and the peak winter sports selling season.

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity requirements are for working capital and capital expenditures. We fund our liquidity requirements with cash flow from operations and borrowings under our credit facility.

Net cash used in operating activities for the 26 weeks ended July 1, 2001 and July 2, 2000 was $3.6 million and $4.6 million. The decrease in cash used in operating activities primarily reflects improved earnings and working capital management during the first 26 weeks of 2001. Net cash provided by operating activities for the years 2000, 1999 and 1998 was $20.0 million, $16.5 million and $29.8 million. The increase in 2000 versus 1999 primarily reflected higher earnings and working capital management. The decrease in 1999 versus 1998 primarily reflected higher inventory levels and lower payables.

Capital expenditures for the 26 weeks ended July 1, 2001 and July 2, 2000 were $4.5 million and $5.2 million. Capital expenditures for the years 2000, 1999 and 1998 were $11.6 million, $13.1 million and $8.5 million. The variances were primarily attributable to the opening of new stores as well as timing of expenditures related to our new point of sale store register systems. We expended $0.5 million on hardware and software to complete this project during the 26 weeks ended July 1, 2001, $2.2 million in 2000 and $2.5 million in 1999. We expect capital expenditures for the remaining 26 weeks of 2001 will range from approximately $4.5 million to $5.5 million, primarily to fund the opening of approximately 7 to 9 new stores, store maintenance and remodels, warehouse and headquarters maintenance and systems related expenditures.

Net cash provided by financing activities for the 26 weeks ended July 1, 2001 and July 2, 2000 was $8.0 million and $9.8 million. Net cash used in financing activities for the years 2000, 1999 and 1998 was

$8.4 million, $3.4 million and $22.6 million in each year. In connection with our 1997 recapitalization, we received cash proceeds of $24.2 million from the issuance of $48.2 million face value of senior discount notes and cash proceeds of $130.4 million from the issuance of $131.0 million face value of senior notes. We repurchased $5.0 million face value of our senior discount notes during 1998. We repurchased $19.1 million of our senior notes and $2.5 million face value of our senior discount notes during 1999. We repurchased $7.8 million of our senior notes during 2000. During the 26 weeks ended July 1, 2001, we repurchased $12.5 million face value of our senior discount notes. At July 1, 2001, we had $55.3 million available for additional borrowings under our credit facility.

We believe we will be able to fund our future cash requirements for operations from operating cash flows, cash on hand and borrowings under our credit facility. We believe these sources of funds will be sufficient to continue our operations and planned capital expenditures and satisfy our scheduled payments under debt obligations for at least the next twelve months. However, our ability to satisfy such obligations depends upon our future performance, which, in turn, is subject to general economic conditions and regional risks, and to financial, business and other factors affecting our operations, including factors beyond our control.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

On July 20, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, and Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. These new pronouncements significantly change the permissible accounting methods for business combinations and the treatment of goodwill and other intangible assets. Prior to the adoption of these new standards, goodwill and similar intangible assets were generally amortized into income on a stated periodic basis. This treatment will be replaced by an alternative system, which will not require intangible amortization on a stated basis but rather will require periodic testing of the intangible for impairment, with no charge to income except to the extent of any such impairment. We are required to adopt the provisions of SFAS No. 141 immediately and SFAS No. 142 effective January 1, 2002, at which time we will cease to record periodic goodwill charges absent an impairment charge. As of July 1, 2001, we had recorded $4.6 million of goodwill on our consolidated balance sheet. The adoption of SFAS Nos. 141 and 142 is not expected to have a material effect on the Company's financial position or results of operations.

IMPACT OF INFLATION

We do not believe that inflation has a material impact on our earnings from operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are subject to risks resulting from interest rate fluctuations since interest on our borrowings under our credit facility are based on variable rates. If the LIBOR rate were to increase 1.0% in 2001 as compared to the rate at December 31, 2000, our interest expense for 2001 would increase $0.4 million based on the outstanding balance of our credit facility at December 31, 2001. We do not hold any derivative instruments and do not engage in hedging activities.

BUSINESS

OVERVIEW

We are the leading sporting goods retailer in the western United States, operating 252 stores in 10 states under the name "Big 5 Sporting Goods." We provide a full-line product offering of over 25,000 stock keeping units in a traditional sporting goods store format that averages 11,000 square feet. Our product mix includes athletic shoes, apparel and accessories, as well as a broad selection of athletic equipment for team sports, fitness, camping, hunting, fishing, tennis, golf, snowboarding and in-line skating.

We believe that over the past 46 years we have developed a reputation with the competitive and recreational sporting goods customer as a convenient neighborhood sporting goods retailer that delivers consistent value on quality merchandise. Our stores carry a wide range of products at competitive prices from well-known brand name manufacturers, including Nike, Reebok, adidas, New Balance, Wilson, Spalding and Columbia. We also offer brand name merchandise produced exclusively for us, private label merchandise and specials on quality items we purchased through opportunistic buys of vendor over-stock and close-out merchandise. We reinforce our value reputation through weekly print advertising in major and local newspapers and mailers designed to generate customer traffic, drive net sales and build brand awareness.

Robert W. Miller, our Chairman, co-founded our company in 1955 with the establishment of five retail locations in California. We sold World War II surplus items until 1963, when we began focusing exclusively on sporting goods and changed our trade name to "Big 5 Sporting Goods." In 1971, we were acquired by Thrifty Corporation, which was subsequently purchased by Pacific Enterprises. In 1992, management bought our company in conjunction with Green Equity Investors, L.P., an affiliate of Leonard Green & Partners, L.P. In 1997, Robert W. Miller, Steven G. Miller and Green Equity Investors, L.P. recapitalized our company so that the majority of our common stock would be owned by our management and employees.

Our accumulated management experience and expertise in sporting goods merchandising, advertising, operations and store development have enabled us to generate consistent, profitable growth. As of July 1, 2001, we have realized 22 consecutive quarterly increases in same store sales over comparable prior periods. All but one of our stores have generated positive store-level operating profit in each of the past five fiscal years. For the twelve months ended July 1, 2001, we generated net sales of $599.1 million and EBITDA of $52.2 million. From 1996 through the twelve months ended July 1, 2001, our net sales and EBITDA increased at compounded annual growth rates of 9.1% and 16.7%. We believe our success can be attributed to one of the most experienced management teams in the sporting goods industry, a value-based, execution-driven operating philosophy, a controlled growth strategy and a proven business model.

OUR STRENGTHS

We believe we have been successful due to the following competitive strengths:

LEADING POSITION IN ESTABLISHED MARKETS. We are the market leader in the western United States, operating almost four times as many stores in California, and more than twice as many stores in each of Washington, Oregon, Arizona and Nevada, as any of our full-line sporting goods competitors. This deep penetration of our established markets results in high customer awareness of the Big 5 Sporting Goods name and frequent visits to our conveniently located stores. More sporting goods shoppers identified Big 5 Sporting Goods as the place they purchased sporting goods in the greater Los Angeles area than any other store, according to the most recent Los Angeles Times Sporting Goods Survey. The survey included specialty sporting goods stores such as Foot Locker and Champs, mass merchandisers such as Target and Kmart, and local sporting goods superstores such as Sport Chalet and Sportmart. Surveys in several of our other major metropolitan markets confirm our leading position as a preferred shopping destination for sporting goods.

PROVEN STORE FORMAT. Our typical store averages 11,000 square feet, is conveniently located near our target customers in either a free-standing location or a multi-store shopping center and is designed to minimize operating and maintenance costs. Our format enables us to have substantial flexibility regarding new store locations. We have successfully operated stores in major metropolitan areas and in areas with as few as 60,000 people. Our format differentiates us from superstores that typically average over 35,000 square feet, require larger target markets, are more expensive to operate and require higher net sales per store for profitability. Our format has also resulted in productivity that we believe is among the highest of any full-line sporting goods retailer, with net sales per gross square foot of approximately $220 for the twelve months ended July 1, 2001.

SUPERIOR MERCHANDISING CAPABILITIES. We have developed considerable expertise in identifying, stocking and selling a broad assortment of full-line sporting goods at competitive prices. We differentiate our product offering by editing our assortment to carry an extensive range of categories but only a selected number of different products in any one category. This effective merchandise mix allows us to offer attractive values to our customers while providing our customers the ability to comparison shop within a category. Our merchandise mix also allows us to minimize inventory levels and maximize shelf space for items we believe will provide attractive returns on investment. Our buyers average 18 years of experience with us and work closely with senior management to determine product selection, promotion and pricing. In addition to our buyers' experience, we utilize an integrated merchandising, distribution, point of sale and financial information system to continuously improve our merchandise mix, pricing strategy, advertising effectiveness and inventory levels.

EXTENSIVE ADVERTISING PROGRAMS AND EXPERTISE. Through years of targeted advertising, we have solidified our reputation for offering quality products at attractive prices. We have advertised almost exclusively through weekly print advertisements since 1955. We typically utilize four-page color advertisements to highlight promotions across our merchandise categories. We believe our print advertising, which includes the weekly distribution of over 12.5 million newspaper inserts and mailers, consistently reaches more households in our established markets than that of our full-line sporting goods competitors. The consistency and reach of our print advertising programs drive sales and create high customer awareness of the name Big 5 Sporting Goods.

SIGNIFICANT MANAGEMENT EXPERIENCE. We believe the experience, commitment and tenure of our professional staff provide a substantial competitive advantage. We were co-founded in 1955 by Robert W. Miller, currently our Chairman, and are managed today by his son, Steven G. Miller, our President and Chief Executive Officer who has worked at our company for 32 years. Our senior-level managers have worked at our company for an average of 28 years. We spend significant time and resources developing our personnel and typically seek to fill positions through internal promotion. The tenure of our management and the scope of their accumulated experience has resulted in valuable expertise regarding our markets, store-level operations, merchandising and advertising.

CONSISTENT GROWTH AND STRONG CASH FLOW. We have been able to generate consistent growth, expand margins and increase our profitability because of our extensive experience, our proven strategy and steady execution of our business model. Our consistent net sales growth combined with improved purchasing, inventory management and economies of scale have enabled us to increase our gross margin from 31.5% in fiscal 1996 to 34.0% in fiscal 2000 and our EBITDA margin from 6.5% in fiscal 1996 to 8.7% in fiscal 2000. Our EBITDA growth combined with our strict management of working capital and low maintenance capital expenditure requirements have resulted in strong cash flow.

STRONG RETURNS ON NEW STORE OPENINGS. Throughout our history, we have sought to expand with the addition of new stores through a disciplined strategy of controlled growth. We have typically utilized cash generated by our operations to invest in new stores. New store openings represent attractive investment opportunities due to the relatively low investment required and the relatively short time in which our new stores become profitable. Based on our operating experience, a new store typically achieves store-level cash-on-cash returns of approximately 35% to 40% in its first full fiscal year of operation.

OUR STRATEGY

Our objective is to build upon these competitive strengths to profitably grow our business and further advance our position as the leading sporting goods retailer in the western United States. We intend to accomplish this by:

CONTINUING OUR DEDICATED FOCUS ON EXECUTION. Our accumulated management experience and expertise in sporting goods merchandising, advertising, operations and store development have enabled us to generate consistent, profitable growth. Our experienced management team has a dedicated focus on the day-to-day execution of our business model, which has been developed and enhanced over the past 46 years. We intend to continue this focus to further improve our business and operations.

PROFITABLY EXPANDING OUR STORE BASE. Due to the flexibility of our proven store format, we believe we have numerous expansion opportunities in both new and existing markets. We plan to expand our store base by identifying high-traffic locations where we can take advantage of our name recognition, leverage our advertising and distribution costs, and capitalize on our economical store format to generate strong growth and returns. We have opened 6 new stores in the first half of fiscal 2001, including 3 store relocations, and we expect to open an additional 7 to 9 new stores in the second half of fiscal 2001. Beginning in fiscal 2002, we expect to open 15 to 20 new stores per year.

GENERATING NET SALES GROWTH THROUGH OUR DISTINCTIVE MERCHANDISE MIX AND ADVERTISING PROGRAMS. We have realized 22 consecutive quarterly increases in same store sales over comparable prior periods. We intend to continue our consistent growth in net sales by continuously improving our distinctive merchandise mix and advertising programs. Through effective merchandising, strategic market positioning and compelling advertising, we believe we can continue to increase net sales at existing stores by increasing both the frequency of customer visits and our customers' average transaction size.

ENHANCING PROFITABILITY THROUGH INCREASED OPERATING EFFICIENCIES. We intend to enhance profitability by continuously improving our operating efficiencies and by leveraging our operating expenses over a larger store base. We believe as we continue to expand our store base, especially by opening additional stores in established markets, we will continue to realize economies of scale in distribution, advertising, purchasing and corporate expenses.

OUR STORES

Throughout our history, we have focused on operating traditional, full-line sporting goods stores. Our stores generally range from 8,000 to 15,000 square feet and average 11,000 square feet. Our typical store is located in either free-standing street locations or multi-store shopping centers. Our numerous convenient locations and store format encourage frequent customer visits. In fiscal 2000, we processed approximately 17 million sale transactions, and our average transaction size was approximately $34.

Our store format results in productivity levels that are among the highest of any full-line sporting goods retailer. In the twelve months ended July 1, 2001, we generated net sales per gross square foot of approximately $220. Our high net sales per square foot combined with our efficient store-level operations and low store maintenance costs allow us to generate consistently strong store-level returns. All but one of our stores open at least one year have generated positive store-level operating profit in each of the past five

fiscal years. In addition, we have never needed to close a store due to poor performance. The following table details our store locations as of July 1, 2001:

YEAR	# OF STORES	% OF TOTAL STORE BASE	REGIONS ENTERED
California: Southern			
California	1955	88	34.9%
Northern California	1971	71	28.2
---	---	---	Total
California	159	63.1	
Washington	1984	28	11.0
Arizona	1993	16	6.3
Oregon	1995	15	6.0
Texas	1995	10	4.0 New
Mexico	1995	7	2.8
Nevada	1978	7	2.8
Utah	1998	5	2.0
Idaho	1993	4	1.6
Colorado	2001	1	0.4
---	---	---	---
Total	252	100.0%	===
=====			

EXPANSION AND STORE DEVELOPMENT

Throughout our operating history, we have sought to expand our business with the addition of new stores through a disciplined strategy of controlled growth. Our expansion within and beyond California has been systematic and designed to capitalize on our name recognition, economical store format and economies of scale related to distribution and advertising. Over the past four fiscal years, we have opened 56 stores, an average of 14 new stores annually, of which 70% were outside of California. The following table illustrates the results of our expansion program during the periods indicated:

NEW STORES					
PERIOD END	# OF STORES AT YEAR END	CALIFORNIA MARKETS	OTHER STORES TOTAL	STORES RELOCATED	STORES CLOSED
1997	210	6	8	14	--
--					
1998	221	3	9	12	(1)
--					
1999	234	3	12	15	(1)
(1)					
2000	249	5	10	15	--
--					
2001(1)	252	2	4	6	(3)
-					
-					

- ------------------------
(1) As of July 1, 2001.

Our format enables us to have substantial flexibility regarding new store locations. We have successfully operated stores in major metropolitan areas and in areas with as few as 60,000 people. Our format differentiates us from superstores that typically average over 35,000 square feet, require larger target markets, are more expensive to operate and require higher net sales per store for profitability.

New store openings represent attractive investment opportunities due to the relatively low investment required and the relatively short time in which our stores become profitable. Our store format requires investments of approximately $350,000 in fixtures and equipment and approximately $400,000 in net working capital with limited pre-opening and real estate expenses due to our leased, "build-to-suit" locations. We seek to maximize new store performance by staffing new store management with experienced personnel from our existing stores. Based on our operating experience, a new store typically achieves store-level cash-on-cash returns of approximately 35% to 40% in its first full fiscal year of operation.

Our in-house store development personnel, who have opened an average of 12 stores during each of the past 10 years, analyze new store locations with the assistance of real estate firms that specialize in retail properties. We have identified numerous expansion opportunities to further penetrate our established markets, develop recently entered markets and expand into new contiguous markets with attractive demographic, competitive and economic profiles. We have opened 6 new stores in the first half of fiscal 2001, including 3 store relocations, and we expect to open an additional 7 to 9 new stores in the second half of fiscal 2001. Beginning in fiscal 2002, we expect to open 15 to 20 new stores per year.

MANAGEMENT EXPERIENCE

We believe the experience, commitment and tenure of our professional staff drives our superior execution and strong operating performance and gives us a substantial competitive advantage. The table below describes the tenure of our professional staff in some of our key functional areas:

	NUMBER OF WITH US	AVERAGE AGE	# OF EMPLOYEES	AVERAGE YEARS Senior
Management	7	28	54	Vice
Presidents	10	23	51	Buyers
	13	18	45	Store District/Division
Supervisors	26	20	44	Store
Managers	252	9	35	

MERCHANDISING

We target the competitive and recreational sporting goods customer with a full-line product offering at a wide variety of price points. We offer over 25,000 stock keeping units in a product mix that includes athletic shoes, apparel and accessories, as well as a broad selection of outdoor and athletic equipment for team sports, fitness, camping, hunting, fishing, tennis, golf, snowboarding and in-line skating. As a key element of our long history of success, we offer consistent value to consumers by offering a distinctive merchandise mix that includes a combination of well-known brand name merchandise, merchandise produced exclusively for us under a manufacturer's brand name, private label merchandise and specials on quality items we purchased through opportunistic buys of vendor over-stock and close-out merchandise.

We believe we enjoy significant advantages in making opportunistic buys of vendor over-stock and close-out merchandise because of our strong vendor relationships and rapid decision-making process. Although vendor over-stock and close-out merchandise typically represent only approximately 15% of our net sales, our weekly advertising highlights these items together with merchandise produced exclusively for us under a manufacturer's brand name in order to reinforce our reputation as a retailer that offers attractive values to our customers.

The following table illustrates our mix of hard and soft goods as a percent of net sales:

FISCAL YEAR	1998	1999	2000
Soft goods			
Athletic and sport apparel	16.2%	15.0%	15.7%
Athletic and sport footwear	32.5	31.3	29.8
Total soft goods	48.7	46.3	45.5
Hard goods	51.3	53.7	54.5
Total	100.0%	100.0%	100.0%

We purchase our popular branded merchandise from an extensive list of major sporting goods equipment, athletic footwear and apparel manufacturers. Below is a selection of some of the brands we carry:

adidas	Coleman	Hillerich & Bradsby	Prince	Saucony
Asics	Columbia	Icon (ProForm)	Rawlings	Shimano
Bauer	Crosman	JanSport	Razor	Spalding
Bausch & Lomb	Easton	K2	Reebok	Speedo
Bike Athletic	Everlast	Lifetime	Remington	Timex
Browning	Fila	Mizuno	Rockport	Titleist
Bushnell	Franklin	New Balance	Rollerblade	Wilson
Casio	Head	Nike	Russell Athletic	Zebco

We also offer a variety of private label merchandise to complement our branded product offerings. Our private label items include shoes, apparel, golf equipment, binoculars, camping equipment and fishing supplies. Private label merchandise is sold under the labels Fives, Court Casuals, Sport Essentials, Rugged Exposure, Golden Bear, Pacifica, South Bay and Kemper, which is licensed from a third party.

Through our 46 years of experience across different demographic, economic and competitive markets, we have refined our merchandising strategy to increase net sales by offering a selection of products that meets customer demands while effectively managing inventory levels. In terms of category selection, we believe our merchandise offering compares favorably to our competitors, including the superstores. Our edited selection of products enables customers to comparison shop without being overwhelmed by a large number of different products in any one category. We further tailor our merchandise selection on a store-by-store basis in order to satisfy each region's specific needs and seasonal buying habits.

Our 13 buyers, who average 18 years of experience with us, work closely with senior management to determine the product selection, promotion and pricing of our merchandise mix. Management utilizes an integrated merchandising, distribution, point of sale and financial information system to continuously refine our merchandise mix, pricing strategy, advertising effectiveness and inventory levels to best serve the needs of our customers.

ADVERTISING

Through years of targeted advertising, we have solidified our reputation for offering quality products at attractive prices. We have advertised almost exclusively through weekly print advertisements since 1955. We typically utilize four-page color advertisements to highlight promotions across our merchandise categories. We believe our print advertising, which includes the weekly distribution of over 12.5 million newspaper inserts or mailers, consistently reaches more households in our established markets than that of our full-line sporting goods competitors. The consistency and reach of our print advertising programs drive sales and create high customer awareness of the name Big 5 Sporting Goods.

We use our professional in-house advertising staff rather than an outside advertising agency to generate our advertisements, including design, layout, production and media management. Our in-house advertising department provides management the flexibility to react quickly to merchandise trends and to maximize the effectiveness of our weekly inserts and mailers. We utilize demographic tools that give us the ability to effectively target different population zones for our advertising expenditures. We place inserts in over 120 newspapers throughout our markets, supplemented in many areas by mailer distributions to create market saturation.

VENDOR RELATIONSHIPS

We have developed strong vendor relationships over the past 46 years. In the twelve months ended July 1, 2001, no single vendor represented greater than 7.0% of total purchases. We believe current relationships with our vendors are good. We benefit from the long-term working relationships that our senior management and our buyers have carefully nurtured throughout our history.

MANAGEMENT INFORMATION SYSTEMS

We have fully integrated management information systems that track, on a daily basis, point of sale information, inventory receiving and distribution, merchandise movement and financial information. The management information systems provide us with valuable inventory tracking information through store-level perpetual inventories. The management information system also includes a local area network that connects all corporate users to electronic mail, scheduling and the host system. The host system and our stores are linked by a network that provides satellite communications for credit card, in-house tender authorization, and daily polling of sales and merchandise movement at the store level. In our distribution center, radio frequency terminals are used in the areas of receiving, stock put-away, stock movement, order filling, cycle counting and inventory management. At our stores, we use hand-held terminals to assist in receiving, transfers and maintenance of perpetual inventories.

Our point of sale system uses state of the art IBM hardware based on a Microsoft Windows NT operating system that enables us to use a variety of readily available Windows applications in conjunction with the software that drives the system. The point of sale system uses satellite communications to verify credit cards and checks and to provide corporate data exchange. We completed the roll-out of this new system to each of our stores during the first half of 2001. We believe our management information systems are efficiently supporting our current operations and provide a foundation for future growth.

DISTRIBUTION

We maintain a 440,000 square foot leased distribution center in Fontana, California that services all of our stores. The distribution center is fully integrated with our management information systems that provide warehousing and distribution capabilities. The distribution center was constructed in 1990 and warehouses the majority of the merchandise carried in our stores. We estimate that 98% of all store merchandise is received from this distribution center. We distribute merchandise from the distribution center to our stores at least once a week, Monday through Saturday, using a fleet of 28 leased and two owned tractors, and 12 leased and 66 owned trailers, as well as contract carriers. Our lease for the distribution center has an initial term that expires in 2006 and includes three additional five-year renewal options. Based on our expected net sales and store growth, we plan to replace our existing distribution center during the next two to three years.

INDUSTRY AND COMPETITION

The retail market for sporting goods is highly competitive. In general, our competitors tend to fall into the following five basic categories:

Traditional Sporting Goods Stores. This category consists of traditional sporting goods chains, including us. These stores range in size from 5,000 to 20,000 square feet and are frequently located in regional malls and multi-store shopping centers. The traditional chains typically carry a varied assortment of merchandise and attempt to position themselves as convenient neighborhood stores. Sporting goods retailers operating stores within this category include Hibbett's and Modell's.

Mass Merchandisers. This category includes discount retailers such as Wal-Mart, Target and Kmart and department stores such as Sears. These stores range in size from approximately 50,000 to 200,000 square feet and are primarily located in regional malls, shopping centers or free-standing sites. Sporting goods merchandise and apparel represent a small portion of the total merchandise in these stores and the selection is often more limited than in other sporting goods retailers. Although generally price competitive, discount and department stores typically have limited customer service in their sporting goods departments.

Specialty Sporting Goods Stores. This category consists of two groups. The first group generally includes athletic footwear specialty stores that are typically 2,000 to 20,000 square feet in size and are located in shopping malls. Examples include retail chains such as Foot Locker, Lady Foot Locker and The Athlete's Foot. These retailers are highly focused, with most of their sales coming from athletic footwear and team licensed apparel. The second group consists of pro shops and stores specializing in a particular

sport or recreation. This group includes backpacking and mountaineering specialty stores and golf shops. Prices at specialty stores tend to be higher than prices at the sporting goods superstores and traditional sporting goods stores.

Sporting Goods Superstores. Stores in this category typically are larger than 35,000 square feet and tend to be freestanding locations. These stores emphasize high volume sales and a large number of stock keeping units. Examples include The Sports Authority, Sport Chalet and Gart Sports Company.

Internet Retailers. This category consists of numerous retailers that sell a broad array of new and used sporting goods products via the internet.

We compete successfully with each of the competitors discussed above by focusing on what we believe are the primary factors of competition in the sporting goods retail industry. These factors include experienced and knowledgeable personnel, customer service, breadth, depth, price and quality of merchandise offered, advertising, purchasing and pricing policies, effective sales techniques, direct involvement of senior officers in monitoring store operations, management information systems and store location and format.

EMPLOYEES

We manage our stores through regional, district and store-based personnel. Our Senior Vice President of Store Operations has general oversight responsibility for all of our stores. Field supervision is led by three regional supervisors who report directly to the Senior Vice President of Store Operations and who oversee 23 district supervisors. The district supervisors are each responsible for an average of 11 stores. Each of our stores has a store manager who is responsible for all aspects of store operations and who reports directly to a district supervisor. In addition, each store has at least two assistant managers, at least one full-time cashier, at least one management trainee and a complement of full and part-time associates.

As of July 1, 2001, we had approximately 5,820 full and part-time employees. The Steel, Paper House, Chemical Drivers & Helpers, Local Union 578, affiliated with the International Brotherhood of Teamsters, currently represents 472 hourly employees in our distribution center and some of our retail personnel in our stores. In September 2000, we negotiated two contracts with Local 578 covering these employees. These contracts expire on August 31, 2005. We have not had a strike or work stoppage in the last 21 years. We believe we provide working conditions and wages that are comparable to those offered by other retailers in the sporting goods industry and that our employee relations are good.

EMPLOYEE TRAINING

We have developed a comprehensive training program that is tailored for each store position. All employees are given an orientation and reference materials that stress excellence in customer service and selling skills. All full-time employees, including salespeople, cashiers and management trainees, receive additional training specific to their job responsibilities. Our tiered curriculum includes seminars, individual instruction and performance evaluations to promote consistency in employee development. The manager trainee schedule provides seminars on operational responsibilities such as merchandising strategy, loss prevention and inventory control. Ongoing store management training includes topics such as advanced merchandising, delegation, personnel management, scheduling, payroll control and loss prevention.

We also provide unique opportunities for our employees to gain knowledge about our products. These opportunities include "hands-on" training seminars and a sporting goods product expo. At the sporting goods product expo, our vendors set up booths where full-time store employees from every store receive intensive training on the products we carry. We believe this event is a successful program for both training and motivating our employees.

PROPERTIES

We lease all but one of our 252 store sites. Most of our long-term leases contain fixed-price renewal options and the average lease expiration term of our existing leases, taking into account renewal options, is

approximately 20 years. Of the 251 store leases that we have, only 18 are due to expire in the next five years without renewal options.

DESCRIPTION OF SERVICE MARKS AND TRADEMARKS

We use the Big 5 name as a service mark in connection with our business operations and have registered this name as a federal service mark. We have also registered federally and/or locally as trademarks and service marks some private labels under which we sell a variety of merchandise, including apparel.

LEGAL PROCEEDINGS

On August 9, 2001, we received a copy of a complaint filed in the California Superior Court in Los Angeles entitled Mosely, et al., v. Big 5 Corp., Case No. BC255749, alleging violations of the California Labor Code and the Business and Professions Code. This complaint was brought as a purported class action with two subclasses comprised of our California store managers and our California first assistant store managers. The plaintiffs allege that we improperly classified our store managers and first assistant store managers as exempt employees not entitled to overtime pay for work in excess of forty hours per week. They seek, on behalf of the class members, back pay for overtime allegedly not paid, statutory penalties in the amount of an additional thirty days' wages for each employee whose employment terminated in the four years preceding the complaint and injunctive relief to require us to treat our store management as non-exempt. The complaint has only recently been filed. We have not yet answered the complaint and discovery has not commenced. We intend to defend the case vigorously. This litigation could have a material adverse effect on our financial condition, and any required change in our labor practices, as well as costs of defending this litigation, could have a negative impact on our results of operations.

In addition, we are from time to time involved in routine litigation incidental to the conduct of our business. We regularly review all pending litigation matters in which we are involved and establish reserves deemed appropriate by management for such litigation matters. We believe no other litigation currently pending against us will have a material adverse effect on our financial position or results of operations.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

Our executive officers and directors and their ages and positions are as follows:

NAME	AGE	POSITIONS
Robert W. Miller	78	Chairman of the Board
Steven G. Miller	49	President, Chief Executive Officer and Director
Charles P. Kirk	45	Senior Vice President and Chief Financial Officer
Gary S. Meade	55	Senior Vice President, General Counsel and Secretary
Richard A. Johnson	55	Senior Vice President, Store Operations
Thomas J. Schlauch	56	Senior Vice President, Buying
Jeffrey L. Fraley	44	Senior Vice President, Human Resources
Dr. Michael D. Miller	51	Director
John G. Danhakl	45	Director

Robert W. Miller has served as Chairman of our board of directors since 1992. Mr. Robert W. Miller co-founded our company in 1955 and served as our President from 1973 to 1992 and Chief Executive Officer from 1973 to 2000.

Steven G. Miller has served as our Chief Executive Officer since 2000 and our President since 1992. Mr. Steven G. Miller has also served as a director since 1992. In addition, Mr. Steven G. Miller served as our Chief Operating Officer from 1992 to 2000 and our Executive Vice President, Administration from 1988 to 1992. Mr. Steven G. Miller is Robert W. Miller's son and Dr. Michael D. Miller's brother.

Charles P. Kirk has served as our Senior Vice President and Chief Financial Officer since 1992. Prior to joining us, Mr. Kirk served as Thrifty Corporation's Director of Planning and Vice President of Planning and Treasury since October 1990. Prior to that, Mr. Kirk had held various financial positions with Thrifty Corporation's former parent, Pacific Enterprises, since 1981.

Gary S. Meade has served as our Senior Vice President since July 2001 and our General Counsel and Secretary since 1997. Mr. Meade also served as our Vice President from 1997 to 2001. Prior to joining us, Mr. Meade was Thrifty Corporation's Vice President, General Counsel and Secretary since 1992 and Thrifty Corporation's Vice President -- Legal Affairs since 1979.

Richard A. Johnson has served as our Senior Vice President, Store Operations since 1992. Prior to that, Mr. Johnson was our Vice President, Store Operations since 1982.

Thomas J. Schlauch has served as our Senior Vice President, Buying since 1992. Prior to that, Mr. Schlauch served as our Head of Buying from 1990 to 1992 and as our Vice President, Buying from 1982 to 1990.

Jeffrey L. Fraley has served as our Senior Vice President, Human Resources since July 2001. Prior to that, Mr. Fraley served as our Vice President, Human Resources from 1992 to 2001.

Michael D. Miller, Ph.D. has served as a director since 1997. Dr. Miller is a senior mathematician at The RAND Corporation. Dr. Miller is Robert W. Miller's

son and Steven G. Miller's brother.

John G. Danhakl has served as a director since 1997. Mr. Danhakl has been an executive officer and equity owner of Leonard Green & Partners, L.P. since 1995. From 1990 to 1995, Mr. Danhakl was a Managing Director at Donaldson, Lufkin & Jenrette Securities Corporation. Prior to joining Donaldson, Lufkin & Jenrette Securities Corporation, Mr. Danhakl was a Vice President at Drexel Burnham Lambert Incorporated. Mr. Danhakl is also a member of the board of directors of Arden Group, Inc., Twinlab Corporation, Communications & Power Industries, Inc., Leslie's Poolmart, Inc., Liberty Group Publishing, Inc. and Diamond Triumph Auto Glass, Inc.

BOARD OF DIRECTORS COMPOSITION

Our certificate of incorporation will, at the completion of this offering, provide for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms. As a result, a portion of our board of directors will be elected each year. To implement the classified board of directors structure, prior to the completion of this offering, two of the members of the board of directors will be elected to one-year terms, two will be elected to two-year terms and two will be elected to three-year terms. Thereafter, directors will be elected for three-year terms.

At the completion of this offering, our board of directors intends to create an audit committee and a compensation committee. The composition of the audit committee will comply with the requirements of The Nasdaq Stock Market's National Market. The audit committee will make recommendations to our board of directors regarding the selection of independent auditors, review the results and scope of the audit and other services provided by our independent auditors, and review and evaluate our audit and control functions. We expect that the compensation committee will be comprised of at least two independent directors. The compensation committee will review and recommend to the board of directors the compensation and benefits of our employees.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The board of directors as a whole performed the functions that it intends to delegate to the compensation committee at the completion of this offering, and all of the board of directors participated in deliberations concerning executive compensation. No interlocking relationship will exist between our board of directors or the compensation committee and the board of directors or compensation committee of any other company, nor has any interlocking relationship existed in the past.

You should refer to the section of this prospectus entitled "Related Party Transactions" for information regarding transactions and relationships between us and the various members of our board of directors and entities affiliated with them.

DIRECTOR COMPENSATION

Our directors do not currently receive any compensation for services on our board of directors or any committee of our board of directors. Upon the completion of this offering, our directors who are not employees will receive an annual fee of $ for service on our board of directors, plus $ for each meeting of the board of directors or any committee that they attend. Directors will also be reimbursed for all out-of-pocket expenses incurred in attending such meeting.

EXECUTIVE COMPENSATION

The following table shows compensation for our Chief Executive Officer and each of our four other most highly compensated executive officers for the past three fiscal years.

	ANNUAL COMPENSATION		
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS

401(k) PLAN

We maintain a savings plan qualified under Sections 401(a) and (k) of the Internal Revenue Code. Generally, all our full-time employees who are at least 21 years of age, have earned a year of eligibility service, or become employed in a position that qualifies for plan participation, and who are not subject to collective bargaining, or if they are subject to collective bargaining but are not covered by another pension plan, are eligible to participate in the 401(k) plan. We may make discretionary matching contributions of

up to 4% of a participant's compensation to the 401(k) plan in addition to any discretionary profit sharing contribution to the 401(k) plan.

STOCK OPTION AND STOCK PURCHASE PLANS

1997 Management Equity Plan

Our 1997 management equity plan was adopted by our board of directors and approved by our stockholders in November 1997. The 1997 management equity plan provides for the grant of incentive stock options and non-qualified stock options to our key employees as well as for stock purchase rights. A total of 560,000 shares of our common stock have been reserved for issuance pursuant to the 1997 management equity plan of which no more than 100,000 shares may be subject to stock options outstanding at any time. As of July 1, 2001, 462,309 shares of restricted common stock had been sold under the 1997 management equity plan. We do not intend to make any more grants under the 1997 management equity plan.

Our board of directors intends to delegate general administrative authority over the 1997 management equity plan to our compensation committee. The members of the compensation committee will be "non-employee directors" within the meaning of Rule 16b-3 of the Securities Exchange Act. The administrator has broad authority to designate recipients of awards and determine the terms and provisions of awards, including the price, expiration date, vesting schedule and terms of exercise.

The exercise price of stock options, and the purchase price of restricted stock, must be at least 85% of the fair market value of the common stock on the date of grant. Stock options granted to optionees who own more than 10% of our outstanding common stock must have an exercise price that is at least 110% of the fair market value of the common stock. The purchase price of restricted stock granted to any person who owns stock possessing more than 10% of the total combined voting power of our stock must have a purchase price of at least 100% of the fair market value of the common stock. Options expire no later than ten years from the date of grant. The 1997 management equity plan does not allow for the transfer of options or stock purchase rights.

After the termination of an optionee's employment or services for reasons other than for cause, death or disability, exercisable options will remain exercisable until at least 30 days after the date of termination of employment. If termination is due to death or disability, exercisable options will remain exercisable until at least six months after the date of death or termination of employment. If termination is for cause, all options, including vested and exercisable ones, are immediately terminated and cancelled.

We have the authority to amend, revise, suspend or terminate the 1997 management equity plan provided that our doing so does not materially adversely affect the rights of any participant or increase the number of shares for which options or stock awards may be granted.

2001 Stock Incentive Plan

In connection with the consummation of this offering, we intend to adopt our 2001 stock incentive plan. The 2001 stock incentive plan provides for the grant of incentive stock options and non-qualified stock options to our employees, directors and specified consultants. We intend to reserve a total of shares of our common stock for issuance pursuant to the 2001 stock incentive plan.

Our board of directors intends to delegate general administrative authority over the 2001 stock incentive plan to our compensation committee. The members of the compensation committee will be "non-employee directors" within the meaning of Rule 16b-3 of the Securities Exchange Act. The administrator has broad authority to designate recipients of awards and determine the terms and provisions of awards, including the price, expiration date, vesting schedule and terms of exercise.

The exercise price of stock options must be at least 100% of the fair market value of the common stock on the date of grant. Incentive stock options granted to optionees who own more than 10% of our outstanding common stock must have an exercise price that is at least 110% of fair market value of the

common stock. Options expire no later than ten years from the date of grant, or five years with respect to incentive stock options granted to optionees who own more than 10% of our outstanding common stock. The 2001 stock incentive plan does not allow for the transfer of options.

After the termination of the employment or services of an optionee for reasons other than for cause, death or disability, exercisable options will remain exercisable until the earlier of their expiration as set forth in the option agreement or three months after the date of termination of employment. If termination is due to death or disability, exercisable options will remain exercisable until the earlier of the expiration date stated in the option agreement or twelve months after the date of death or termination of employment. If termination is for cause, all options, including vested and exercisable ones, are immediately terminated and cancelled.

Upon the occurrence of specified events that result in a change of our organizational or ownership structure, the administrator has the discretion to do one or more of the following:

- shorten the exercise period of the options;

- accelerate the vesting schedule of the options;

- arrange to have the surviving or successor entity assume or replace the options; or

- cancel the options and pay to the optionee in cash, with respect to each exercisable option, an amount equal to the excess of the fair market value of the common stock over the exercise price of the option.

We have the authority to amend, alter, suspend or terminate the 2001 stock incentive plan provided that our doing so does not impair the rights of any optionee or increase the number of shares for which options may be granted.

EMPLOYMENT AGREEMENTS

Steven G. Miller and Robert W. Miller entered into employment agreements in January 1993. According to these employment agreements, Steven G. Miller and Robert W. Miller are to continue employment with us for successive one-year periods renewing annually on December 31, unless any party gives timely notice to the other that the employment term shall not be so extended. We are currently negotiating amendments to these employment agreements.

LIMITATIONS ON DIRECTORS' LIABILITY AND INDEMNIFICATION

Upon the closing of the offering contemplated by this prospectus, we will adopt an amended and restated certificate of incorporation which, together with our amended and restated bylaws, will provide our directors and key officers with limitations on liability and indemnification rights described below.

Our amended and restated certificate of incorporation will limit the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for any of the following:

- any breach of their duty of loyalty to the corporation or its stockholders;

- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

- unlawful payments of dividends or unlawful stock repurchases or redemptions; or

- any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that we will indemnify our directors and executive officers to the fullest extent permitted by law. We believe indemnification under our amended and restated bylaws covers at least negligence and gross negligence on the part of indemnified parties. In addition to indemnification provided for in our amended and restated bylaws, we intend to enter into agreements to indemnify our directors and executive officers. These agreements, among other things, will provide for indemnification of our directors and executive officers for expenses, judgments, fines and settlement amounts incurred by any such person in any action or proceeding arising out of such person's services as a director or executive officer or at our request. We believe these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

The limited liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty and may reduce the likelihood of derivative litigation against our directors and officers, even though a derivative litigation, if successful, might otherwise benefit us and our stockholders. A stockholder's investment in us may be adversely affected to the extent we pay the costs of settlement or damage awards against our directors or officers under these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors, officers or employees in which indemnification is sought, nor are we aware of any threatened litigation that may result in claims for indemnification.

DIRECTORS' AND OFFICERS' INSURANCE

We currently maintain a directors' and officers' liability insurance policy that provides our officers and directors with liability coverage in amounts we consider appropriate.

RELATED PARTY TRANSACTIONS

RELATIONSHIP WITH PACIFIC ENTERPRISES, THRIFTY CORPORATION AND RITE AID CORPORATION

Prior to September 1992, we were a wholly owned subsidiary of Thrifty Corporation, a wholly owned subsidiary of Pacific Enterprises. In December 1996, Thrifty Corporation was acquired by Rite Aid Corporation.

As a result of our prior relationship with Thrifty Corporation and its affiliates, we continue to maintain certain relationships with Rite Aid and Sempra Energy, the successor to Pacific Enterprises. These relationships include continuing indemnification obligations of Sempra Energy to us for certain environmental matters and obligations under ERISA. In addition, Green Equity Investors III, L.P., an affiliate of Leonard Green & Partners, L.P., holds convertible preferred stock in Rite Aid that, if converted, would represent approximately 11% of its outstanding stock.

CONFLICTS OF INTEREST

Green Equity Investors, L.P., an affiliate of Leonard Green & Partners, L.P., holds an equity interest in us and also holds an equity interest in Gart Sports Company, one of our competitors. John G. Danhakl, an executive officer and equity owner of Leonard Green & Partners, L.P., currently serves on our board of directors. Two different equity owners of Leonard Green & Partners, L.P. currently serve on Gart Sports Company's board of directors. Mr. Danhakl may have conflicts of interest with respect to certain matters affecting us. All of these potential conflicts may not be resolved in a manner that is favorable to us. We believe it is impossible to predict the precise circumstances under which future potential conflicts may arise and therefore intend to address potential conflicts on a case-by-case basis. Under Delaware law, directors have a fiduciary duty to act in good faith and in what they believe to be in the best interest of the corporation and its stockholders. Such duties include the duty to refrain from impermissible self-dealing and to deal fairly with respect to transactions in which the directors, or other companies with which such directors are affiliated, have an interest.

MANAGEMENT SERVICES AGREEMENT

We entered into a management services agreement with Leonard Green & Associates, L.P., an affiliate of Leonard Green & Partners, L.P., on November 13, 1997. Pursuant to the management services agreement, we pay an annual fee of $333,333 to Leonard Green & Associates, L.P. for ongoing management, consulting and financial planning services. We also pay reasonable and customary fees to Leonard Green & Associates, L.P. for financial advisory and investment banking services in connection with any major financial transactions that we may undertake from time to time. In addition to the fees we pay for these services, we also pay reasonable out-of-pocket expenses incurred in connection with rendering such services. The management services agreement terminates in May 2005. We believe its terms are comparable to what could be obtained from unrelated, but equally qualified, third parties.

STOCKHOLDERS AGREEMENT

We entered into a stockholders agreement with Green Equity Investors, L.P., Robert W. Miller and Steven G. Miller on November 13, 1997. We intend to enter into an amended and restated stockholders agreement prior to the consummation of this offering.

REDEMPTION OF SERIES A PREFERRED STOCK

We intend to use a portion of our net proceeds from this offering to redeem all of our outstanding shares of Series A preferred stock. Green Equity Investors, L.P. and its affiliates currently own 309,071 shares of the 350,000 outstanding shares of our Series A preferred stock. See "Use of Proceeds."

SECURITY OWNERSHIP BY MANAGEMENT AND PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our common stock as of by:

- each of the individuals listed under "Executive Compensation" on page 35;
- each of our directors;
- each person, or group of affiliated persons, who is known by us to own beneficially 5% or more of our common stock; and
- all current directors and executive officers as a group.

Except as otherwise indicated in the footnotes below, each beneficial owner has the sole power to vote and to dispose of all shares held by that holder. Percentage ownership is based on shares of common stock outstanding as of and shares of common stock outstanding after completion of this offering.

BENEFICIAL OWNERSHIP BENEFICIAL OWNERSHIP OF COMMON STOCK OF COMMON STOCK BEFORE OFFERING AFTER OFFERING			
NAME(1)	SHARES	PERCENT	SHARES PERCENT
Robert W. Miller			
Steven G. Miller			
Dr. Michael D. Miller			
Thomas J. Schlauch			
Richard A. Johnson			
Charles P. Kirk			
John G. Danhakl			
Green Equity Investors, L.P.			
All Executive Officers and Directors as a Group			

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* The percentage of shares beneficially owned does not exceed 1% of the class.

(1) The address for each stockholder is 2525 East El Segundo Boulevard, El Segundo, California 90245, except Green Equity Investors, L.P. and Mr. Danhakl for which the address is 11111 Santa Monica Boulevard, Suite 2000, Los Angeles, California 90025.

DESCRIPTION OF CAPITAL STOCK

GENERAL

Upon the completion of this offering, we will be authorized to issue shares of common stock, 350,000 shares of Series A preferred stock, $0.01 par value per share, and shares of undesignated preferred stock, $0.01 par value per share. The following description of our capital stock does not purport to be complete and is subject to and qualified in its entirety by our amended and restated certificate of incorporation and amended and restated bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and by the provisions of applicable Delaware law.

COMMON STOCK

As of July 1, 2001, there were 1,926,500 shares of common stock outstanding, which were held of record by approximately 250 stockholders. The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The holders of common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock.

SERIES A PREFERRED STOCK

We issued our redeemable Series A 13.45% senior exchangeable preferred stock under a certificate of designations filed with the Secretary of State of Delaware on November 13, 1997. As of July 1, 2001, there were 350,000 shares of our Series A preferred stock outstanding, which were held of record by 34 stockholders. The Series A preferred stock ranks senior to all classes of common stock, bears cumulative dividends at the rate of 13.45% per annum and has a liquidation preference over our common stock equal to $100 per share plus accrued and unpaid dividends thereon. In addition, the Series A preferred stock is subject to mandatory redemption by us on November 13, 2009, and our optional redemption, at a premium declining to par after November 13, 2002 and prior to November 13, 2009.

On or prior to November 13, 2002, we may redeem any or all of the shares of Series A preferred stock then outstanding at a redemption price equal to 110% of the liquidation preference thereof, plus accrued and unpaid dividends, with the proceeds of an underwritten public offering of our common stock. We anticipate using a portion of our net proceeds from this offering to redeem all of the outstanding shares of Series A preferred stock.

PREFERRED STOCK

The board of directors has the authority, without action by the stockholders, to designate and issue preferred stock in one or more series and to designate the rights, preferences and privileges of each series, which may be greater than the rights of the common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of the common stock until the board of directors determines the specific rights of the holders of such preferred stock. However, the effects might include, among other things:

- restricting dividends on the common stock;
- diluting the voting power of the common stock;
- impairing the liquidation rights of the common stock; or
- delaying or preventing a change in control of us without further action by the stockholders.

WARRANT

As of July 1, 2001, a warrant to purchase 60,000 shares of our common stock was outstanding. The warrant is exercisable at any time with an exercise price of $0.01 per share. The warrant expires on November 30, 2008.

REGISTRATION RIGHTS

Green Equity Investors, L.P. has the right to demand, on two occasions, that we file a registration statement under the Securities Act covering all or a portion of the 723,577 shares of our common stock held by it. In addition, specified holders, including Green Equity Investors, L.P., will have piggyback registration rights with respect to 1,444,800 shares of our common stock and 60,000 shares of our common stock underlying a warrant. Registration of these shares of our common stock would permit their sale into the market immediately. Each of these holders, including Green Equity Investors, L.P., has agreed not to sell or otherwise dispose of any of its shares, other than shares sold in this offering, for a period of 180 days after the consummation of this offering. Please refer to the information in the prospectus under the heading "Shares Eligible for Future Sale -- Registration Rights" for a more detailed discussion of these registration rights.

DELAWARE ANTI-TAKEOVER LAW AND CERTAIN CHARTER AND BYLAW PROVISIONS

Provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated bylaws to be adopted immediately prior to the closing of this offering could make the following more difficult:

- the acquisition of us by means of a tender offer;

- acquisition of us by means of a proxy contest or otherwise; or

- the removal of our incumbent officers and directors.

These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals because negotiation of such proposals could result in an improvement of their terms.

Classified Board of Directors. Under our amended and restated certificate of incorporation and our amended and restated bylaws, our board of directors is divided into three classes of directors serving staggered three-year terms, with one-third of the board of directors being elected each year.

Stockholder Meetings. Under our amended and restated certificate of incorporation and our amended and restated bylaws, only the board of directors, the chairman of the board of directors, the chief executive officer and the president may call special meetings of stockholders.

Requirements for Advance Notification of Stockholder Nominations and Proposals. Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.

No Action by Written Consent. Under our amended and restated certificate of incorporation, stockholders may only take action at an annual or special meeting of stockholders and may not act by written consent.

Delaware Anti-Takeover Law. We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless the "business combination" or the transaction

in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns or within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation's voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

No Cumulative Voting. Our amended and restated certificate of incorporation and amended and restated bylaws do not provide for cumulative voting in the election of directors.

Undesignated Preferred Stock. The authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of us.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common stock is .

LISTING

We intend to file an application to have our common stock approved for quotation on The Nasdaq Stock Market's National Market under the symbol " ."

DESCRIPTION OF CERTAIN INDEBTEDNESS

THE CREDIT FACILITY

We, through our wholly owned subsidiary, have a non-amortizing $125.0 million revolving credit facility. The credit facility bears interest at various rates based on our performance, with a floor of LIBOR plus 1.50% or the Chase Manhattan prime lending rate and a ceiling of LIBOR plus 2.50% or the Chase Manhattan prime lending rate plus 0.75% and is secured by our trade accounts receivable, merchandise inventory and general intangible assets, including trademarks and trade names. As of July 1, 2001, loans under the credit facility bear interest at a rate of LIBOR plus 1.50% or the Chase Manhattan prime lending rate. An annual fee of 0.325%, payable monthly, is assessed on the unused portion of the credit facility. As of July 1, 2001, we had $53.3 million in LIBOR and prime lending rate borrowings and letters of credit of $4.5 million outstanding. Our maximum eligible borrowing available under the credit facility, including outstanding letters of credit, is limited to the lesser of $125.0 million and an amount equal to 70% of the aggregate value of eligible inventory during November through February and 65% of the aggregate value of eligible inventory during the remaining months of the year. Available borrowings over and above actual LIBOR and prime rate borrowings and letters of credit outstanding on the credit facility amounted to $55.3 million as of July 1, 2001.

Our credit facility requires our wholly owned subsidiary, on a consolidated basis at the end of each fiscal quarter, to maintain a certain minimum net worth. Additionally, we must either maintain certain unused availability under the credit facility or maintain a certain minimum fixed charge coverage ratio. The credit facility also contains covenants restricting the ability of our wholly owned subsidiary to incur indebtedness or liens, to pay dividends or make distributions on its stock, to make investments or loans, to engage in transactions with affiliates, including us, or to sell assets or effect certain mergers or consolidations.

The credit facility may be terminated by the lenders by giving at least 90 days prior written notice before any anniversary date, commencing with its anniversary date in November 2002. Unless it is terminated, the credit facility will continue on an annual extension basis from anniversary date to anniversary date beginning in November 2002. The credit facility may be terminated at any time at our election or upon the occurrence of specified events of default.

THE SENIOR NOTES

In connection with our 1997 recapitalization, we, through our wholly owned subsidiary, issued $131.0 million face amount of 10.875% senior notes due 2007, less a discount of approximately $0.6 million based on an imputed interest rate of 10.95%. The senior notes mature on November 15, 2007. The senior notes bear interest at the rate per annum of 10.875% from the most recent interest payment date to which interest has been paid or provided for, payable in semi-annual installments on May 15 and November 15 of each year. Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. The last date on which interest was paid on the senior notes was May 15, 2001. We have no mandatory payments of principal on the senior notes prior to their maturity in 2007.

The senior notes are general unsecured obligations, rank senior in right of payment to all existing and future indebtedness of our wholly owned subsidiary that is subordinated to the senior notes and rank pari passu in right of payment with all current and future unsubordinated indebtedness of our wholly owned subsidiary, subject to certain restrictions due to the securitization of certain assets.

Our senior notes are redeemable, in whole or in part, at our option, at any time on or after November 15, 2002. The senior notes will be redeemable at the following redemption prices, expressed as percentages of the principal amount, if redeemed during the twelve month period commencing

November 15 of the years indicated below at the following redemption prices, plus accrued and unpaid interest and liquidated damages, if any, to the date of redemption:

YEAR	PERCENTAGE
2002	105.475%
2003	103.650%
2004	101.825%
2005 and thereafter	100.000%

Upon a change of control of our wholly owned subsidiary, our wholly owned subsidiary will be required to offer to purchase all of the outstanding senior notes at a price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase.

The indenture pursuant to which our senior notes were issued contains certain covenants limiting the ability of our wholly owned subsidiary to, among other things, incur additional indebtedness and issue preferred stock, pay dividends or make other distributions, make certain investments, create certain liens, sell certain assets, enter into certain transactions with affiliates, and effect certain mergers and consolidations.

SENIOR DISCOUNT NOTES

In connection with our 1997 recapitalization, we issued $48.2 million face amount of 13.45% senior discount notes due 2008. According to the terms of the indenture under which the senior discount notes were issued, we have the right to redeem all, but not less than all, of our senior discount notes prior to November 30, 2002 at a redemption price equal to 113.45% of the principal amount, plus accrued and unpaid interest, upon our receipt of cash from a public equity offering. We anticipate using a portion of our net proceeds from this offering to redeem all of the outstanding senior discount notes.

SHARES ELIGIBLE FOR FUTURE SALE

SALES OF RESTRICTED SECURITIES

Prior to this offering, there has been no public market for our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of our common stock in the public market could adversely affect the market price of our common stock and could impair our future ability to raise capital through the sale of our equity securities.

Upon the completion of this offering, we will have shares of our common stock outstanding, assuming no exercise of the underwriters' over-allotment option and no exercise of the outstanding warrant. All of the shares sold in this offering will be freely tradable, except that any shares purchased by directors, officers or owners of 10% or more of our stock may only be sold in compliance with the applicable limitations of Rule 144. The remaining shares of our common stock are "restricted securities" as defined under Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144, 144(k) or 701 promulgated under the Securities Act, which rules are summarized below.

Subject to the provisions of Rules 144, 144(k) and 701 and a right of repurchase in favor of us applicable to some of our common stock, shares of our common stock will be available for sale in the public market upon the expiration of the 180-day lock-up period.

If our stockholders sell substantial amounts of our common stock in the public market following this offering, the prevailing market price of our common stock could decline. Furthermore, sales of substantial amounts of our common stock in the public market after contractual and legal restrictions lapse could adversely affect the prevailing market price of the common stock and our ability to raise equity capital in the future.

RULE 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned restricted shares for at least one year including the holding period of any prior owner except an affiliate would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding; or

- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been our affiliate at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years including the holding period of any prior owner except an affiliate, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

RULE 701

In general, under Rule 701 of the Securities Act, as currently in effect, any of our employees, consultants or advisors who purchase shares from us under a stock option plan or other written agreement can resell those shares 90 days after the effective date of this offering in reliance on Rule 144, but without complying with the holding period, public information, volume limitation or notice provisions of Rule 144, so long as they are not affiliates of ours. If they are an affiliate, they are eligible to resell the shares 90 days after the effective date of this offering in reliance on Rule 144 but without compliance with the

holding period contained in Rule 144. These shares are subject to the lock-up agreements and will be available for sale in the open market beginning 180 days after the date of this prospectus.

LOCK-UP AGREEMENTS

Holders of all of our outstanding shares of common stock have entered into lock-up agreements. These lock-up agreements provide that, except for shares of common stock to be sold in this offering, these stockholders will not offer, sell, contract to sell, grant any option to purchase or otherwise dispose of our common stock or any securities exercisable for or convertible into our common stock owned by them for a period of 180 days after the date of this prospectus without the prior written consent of Credit Suisse First Boston Corporation. Credit Suisse First Boston Corporation has advised us that it has no present intention to release any of the shares subject to the lock-up agreements prior to the expiration of the lock-up periods described below. These lock-up agreements do not restrict the transfer of shares of common stock purchased under the directed share program in connection with this offering or in the open market following the date of this prospectus.

REGISTRATION RIGHTS

All holders of registration rights contained in agreements with us are expected to waive such rights in connection with this offering. Green Equity Investors, L.P. has the right to demand, on two occasions, that we file a registration statement under the Securities Act covering all or a portion of the 723,577 shares of our common stock held by them. Registration would result in the shares becoming freely tradable without restriction under the Securities Act.

In addition, after this offering, specified holders, including Green Equity Investors, L.P., will have piggyback registration rights with respect to 1,444,800 shares of our common stock and 60,000 shares of our common stock underlying a warrant. If we propose to register any common stock under the Securities Act, other than pursuant to a registration of our common stock on form S-4 or S-8, these holders may require us to include all or a portion of their securities in the registration. However, the managing underwriter, if any, of the offering pursuant to the registration has the right to limit the number of securities to be included by these holders.

The outstanding piggyback registration rights with respect to 1,379,139 shares of our common stock and all 60,000 shares of our common stock underlying a warrant have no expiration date. The piggyback registration rights with respect to 65,661 shares of our common stock will expire upon the earlier of the first anniversary of the consummation of this offering and the date of the effectiveness of any registration of our common stock under the Securities Act subsequent to this offering in which all of these holders were given the opportunity to register their shares.

We would bear all registration expenses incurred in connection with these registrations. The stockholders would pay all underwriting discounts, selling commissions and stock transfer taxes applicable to the sale of its securities.

STOCK OPTIONS

Immediately after this offering, we intend to file a registration statement under the Securities Act covering shares of common stock reserved for issuance under the 2001 stock incentive plan. Shares registered under that registration statement will, upon the optionee's exercise and depending on vesting provisions and Rule 144 volume limitations applicable to our affiliates, be available for sale in the open market immediately after the lock-up agreements expire.

U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of certain U.S. federal income and estate tax consequences of the ownership and disposition of our common stock by a person that is not a "United States person" for U.S. federal income tax purposes (a "non-U.S. holder"). For this purpose, a "United States person" is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if (i) a U.S. court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions. The discussion does not consider specific facts and circumstances that may be relevant to a particular non-U.S. holder's tax position. Special rules may apply to certain non-U.S. holders, such as dealers in securities, banks, insurance companies, tax-exempt organizations, persons holding their shares as part of a "straddle," "hedge," or "conversion transaction," persons who acquire shares as compensation, "controlled foreign corporations," "passive foreign investment companies," "foreign personal holding companies," and corporations that accumulate earnings to avoid U.S. federal income tax, that are subject to special treatment under the Code. This discussion is limited to beneficial owners of the common stock who hold the common stock as capital assets. It does not address any aspect of state, local, or foreign law, persons who hold common stock through a partnership or other pass-through entity, or persons who are former citizens or long-term residents of the United States.

ACCORDINGLY, EACH NON-U.S. HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE UNITED STATES TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES THAT MAY ARISE UNDER THE LAWS OF ANY STATE, MUNICIPALITY, FOREIGN COUNTRY OR OTHER TAXING JURISDICTION.

DIVIDENDS

Dividends paid to a non-U.S. holder of our common stock ordinarily will be subject to withholding of U.S. federal income tax at a 30% rate, or at a lower rate under an applicable income tax treaty that provides for a reduced rate of withholding. To claim the benefit of a lower treaty rate, a non-U.S. holder must properly file with the payor an IRS Form W-8BEN, or successor form, or, in the case of payments made outside the United States with respect to an offshore account, comply with certain documentary evidence procedures, directly, or under certain circumstances, through an intermediary. If, however, the dividends are effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States and, where a tax treaty applies, are attributable to a United States permanent establishment of the non-U.S. holder, then the dividends will be exempt from the withholding tax described above, provided that an IRS Form W-8ECI, or successor form, is furnished to the payor. Such dividends will instead be taxed on a net basis at applicable graduated individual or corporate rates. Effectively connected dividends received by a foreign corporation may, under certain circumstances, be subject as well to a "branch profits tax" at a rate of 30% or a lower applicable treaty rate. A non-United States Holder who furnished the payor with an IRS Form W-8ECI or successor form must also provide a United States tax identification number.

GAIN ON DISPOSITION OF COMMON STOCK

A non-U.S. holder generally will not be subject to United States federal income tax in respect of a gain realized on a disposition of our common stock, provided that (a) the gain is not effectively connected with a trade or business conducted by the non-U.S. holder in the United States, (b) in the case of a non-U.S. holder who is an individual, such holder is present in the United States for less than 183 days in the taxable year of the sale and other conditions are met, and (c) we are not nor have been a "United States real property holding corporation" for United States federal income tax purposes (a "USRPHC"). We believe we are not currently, and are not likely to become a USRPHC. Even if we were to become a USRPHC, gain on the sale or other disposition of common stock by a non-United States holder generally would not be subject to United States federal income tax provided that (i) the common stock was

"regularly traded" on an established securities market and (ii) such non-United States holder did not actually or constructively own more than 5% of the common stock at any time during the shorter of the five-year period preceding the disposition or such non-United States holder's holding period.

If a non-U.S. Holder is engaged in the conduct of a trade or business in the United States, gain on the disposition of our common stock that is effectively connected with the conduct of such trade or business and, where an income tax treaty applies, is attributable to a United States permanent establishment, will be taxed on a net basis at applicable graduated individual or corporate rates. Effectively connected gain of a foreign corporation may, under certain circumstances, be subject as well to a branch profits tax at a rate of 30% or a lower applicable treaty rate.

FEDERAL ESTATE TAXES

Our common stock owned or treated as being owned by a non-U.S. holder at the time of death will be included in that holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise. The United States federal estate tax was recently repealed; however, the repeal does not take effect until 2010. In addition, the legislation repealing the estate tax expires in 2011, and thus the estate tax will be reinstated at that time unless future legislation extends the repeal.

U.S. INFORMATION REPORTING REQUIREMENTS AND BACKUP WITHHOLDING TAX

U.S. information reporting on IRS Form 1099 and backup withholding tax will not apply to dividends paid on our common stock to a non-U.S. holder, provided that non-U.S. holder provides an IRS Form W-8BEN (or satisfies certain certification documentary evidence requirements for establishing that it is a non-United States person under U.S. Treasury regulations) or otherwise establishes an exemption. Distributions on our common stock will, however, be reported to the Internal Revenue Service ("IRS") and to the non-U.S. holder on IRS Form 1042-S.

Information reporting and backup withholding also generally will not apply to a payment of the proceeds of a sale of our common stock effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of our common stock effected outside the United States by a foreign office of a broker if the broker (i) is a United States person, (ii) derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a "controlled foreign corporation" as to the United States, or (iv) is a foreign partnership that, at any time during its taxable year, is 50% or more (by income or capital interest) owned by United States persons or is engaged in the conduct of a U.S. trade or business, unless in any such case the broker has documentary evidence in its records that the holder is a non-U.S. holder and certain conditions are met, or the holder otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of our common stock will be subject to both backup withholding and information reporting unless the holder certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption. Pursuant to recent tax legislation the rate of backup withholding tax will be 30.5% for payments made after August 6, 2001 and will be reduced to 30% on January 1, 2002, 29% on January 1, 2004 and 28% on January 1, 2006.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

THE SELLING STOCKHOLDERS

The following are the stockholders for whose accounts the common stock is being offered; the amount of common stock owned by such stockholders prior to this offering; the amount of common stock to be offered for the stockholder's account; and the amount to be owned by such stockholder following completion of the offering. Other than as disclosed below, no selling stockholder holds or has held during the past three years any position, office, or other material relationship with the company.

NAME OF SELLING STOCKHOLDER	# OF SHARES OWNED PRIOR TO OFFERING	# OF SHARES OWNED WITH COMPANY	% OF SHARES OWNED # OF SHARES OFFERED	RELATIONSHIP AFTER SALE	# OF SHARES OWNED AFTER SALE	% OF SHARES OWNED AFTER SALE

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2001, we and the selling stockholders have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston Corporation, U.S. Bancorp Piper Jaffray Inc., Jefferies & Company, Inc. and Stephens Inc. are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse First Boston Corporation	
U.S. Bancorp Piper Jaffray Inc.	
Jefferies & Company, Inc.	
Stephens Inc.	
Total	

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We and the selling stockholders have granted to the underwriters a 30-day option to purchase on a pro rata basis up to additional shares from us and an aggregate of additional outstanding shares from the selling stockholders at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of $ per share. The underwriters and selling group members may allow a discount of $ per share on sales to other broker/dealers. After the initial public offering, the representatives may change the public offering price and concession and discount to broker/dealers.

The following table summarizes the compensation and estimated expenses we and the selling stockholders will pay:

	Per Share		Total	
	Without Over-Allotment	With Over-Allotment	Without Over-Allotment	With Over-Allotment
Underwriting discounts and commissions paid by us	$	$	$	$
Expenses payable by us	$	$	$	$
Underwriting discounts and commissions paid by selling stockholders	$	$	$	$
Expenses payable by the selling stockholders	$	$	$	$

The representatives have informed us that they do not expect discretionary sales to exceed 5% of the shares of common stock being offered.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse First Boston Corporation for a period of 180 days after the date of this prospectus, except issuances pursuant to the exercise of employee stock options outstanding on the date hereof.

Our officers, directors and stockholders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston Corporation for a period of 180 days after the date of this prospectus.

The underwriters have reserved for sale at the initial public offering price up to shares of our common stock for employees, directors and other persons associated with us who have expressed an interest in purchasing common stock in the offering. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

We and the selling stockholders have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

We will apply to list the shares of common stock on The Nasdaq Stock Market's National Market under the symbol " ".

Prior to this offering, there has been no public trading market for our common stock. The initial public offering price for our common stock will be determined by negotiation between us, the selling stockholders and the representatives. The principal factors to be considered in determining the initial public offering price include:

- the information included in this prospectus and otherwise available to the representatives,
- the history and the prospects of the industry in which we compete,
- the ability of our management,
- our past and present operations,
- our prospects for future earnings,
- the recent market prices of and demand for publicly traded common stock of generally comparable companies,
- market conditions for initial public offerings, and
- the general condition of the securities markets at the time of this offering.

We cannot assure you that the initial public offering price will correspond to the price at which our common stock will trade in the public market subsequent to the offering or that an active trading market for our common stock will develop and continue after the offering.

In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option and/or purchasing shares in the open market.

- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The Nasdaq Stock Market's National Market or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters participating in this offering. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters that will make internet distributions on the same basis as other allocations. Credit Suisse First Boston Corporation may effect an on-line distribution through its affiliate, CSFBdirect Inc., an on-line broker/dealer, as a selling group member.

NOTICE TO CANADIAN RESIDENTS

RESALE RESTRICTIONS

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we and the selling stockholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are made. Any resale of the common stock in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

REPRESENTATIONS OF PURCHASERS

By purchasing common stock in Canada and accepting a purchase confirmation a purchaser is representing to us, the selling stockholders and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws,

- where required by law, that the purchaser is purchasing as principal and not as agent, and

- the purchaser has reviewed the text above under "Resale Restrictions".

RIGHTS OF ACTION (ONTARIO PURCHASERS)

The securities being offered are those of a foreign issuer and Ontario purchasers will not receive the contractual right of action prescribed by Ontario securities law. As a result, Ontario purchasers must rely on other remedies that may be available, including common law rights of action for damages or rescission or rights of action under the civil liability provisions of the U.S. federal securities laws.

ENFORCEMENT OF LEGAL RIGHTS

All of the issuer's directors and officers, as well as the experts named herein and the selling stockholders, may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the issuer or such persons. All or a substantial portion of the assets of the issuer and such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the issuer or such persons in Canada or to enforce a judgment obtained in Canadian courts against such issuer or persons outside of Canada.

NOTICE TO BRITISH COLUMBIA RESIDENTS

A purchaser of common stock to whom the Securities Act (British Columbia) applies is advised that the purchaser is required to file with the British Columbia Securities Commission a report within ten days of the sale of any common stock acquired by the purchaser in this offering. The report must be in the form attached to British Columbia Securities Commission Blanket Order BOR #95/17, a copy of which may be obtained from us. Only one report must be filed for common stock acquired on the same date and under the same prospectus exemption.

TAXATION AND ELIGIBILITY FOR INVESTMENT

Canadian purchasers of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and about the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Irell & Manella LLP, Los Angeles, California. Selected legal matters in connection with this offering will be passed upon for the underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, Los Angeles, California.

EXPERTS

The consolidated financial statements of Big 5 Sporting Goods Corporation and subsidiary as of January 2, 2000 and December 31, 2000 and for each of the fiscal years ended January 3, 1999, January 2, 2000 and December 31, 2000 have been included herein and in the registration statement in reliance on the report of KPMG LLP, independent certified public accountants appearing elsewhere herein and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 with respect to the common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules, which are part of the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and exhibits and schedules filed as part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other documents are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. Any document we file may be read and copied at the Commission's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the Commission at 1-800-SEC-0330 for further information about the public reference rooms. Our filings with the Commission are also available to the public from the Commission's Web site at http://www.sec.gov.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Securities Exchange Act, and, accordingly, will file periodic reports, proxy statements and other information with the Commission. Such periodic reports, proxy statements and other information will be available for inspection and copying at the Commission's public reference rooms, and the Web site of the Commission referred to above.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Index to Consolidated Financial Statements	F-1
Independent Auditors' Report	F-2
Consolidated Balance Sheets at January 2, 2000, December 31, 2000 and July 1, 2001 (unaudited)	F-3
Fiscal Years Ended January 3, 1999, January 2, 2000, December 31, 2000 and twenty-six weeks ended July 2, 2000 (unaudited) and July 1, 2001 (unaudited)	
Consolidated Statements of Operations	F-4
Consolidated Statements of Stockholders' Deficit	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Big 5 Sporting Goods Corporation:

We have audited the consolidated financial statements of Big 5 Sporting Goods Corporation and subsidiary as listed in the accompanying index. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Big 5 Sporting Goods Corporation and subsidiary as of January 2, 2000 and December 31, 2000 and the results of their operations and their cash flows for each of the fiscal years ended January 3, 1999, January 2, 2000 and December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California
August 9, 2001

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

JANUARY 2, 2000	DECEMBER 31, 2000	JULY 1, 2001
	(UNAUDITED)	
ASSETS		
CURRENT ASSETS:		
Trade and other receivables, net of allowance for doubtful accounts of $93, $11 and $220, respectively	$ 6,405	$ 7,085	$ 4,936
Merchandise inventories	155,283	168,981	178,401
Prepaid expenses	1,435	1,146	1,835
Total current assets	163,123	177,212	185,172
Property and equipment:			
Land	186	186	186
Buildings and improvements	22,885	27,264	29,219
Furniture and equipment	45,396	50,089	50,580
Less accumulated depreciation and amortization	(32,910)	(37,577)	(39,545)
Net property and equipment	35,557	39,962	40,440
Deferred income taxes, net	7,667	13,159	14,037
Leasehold interest, net of accumulated amortization of $17,452, $19,387 and $20,288, respectively	11,131	9,347	8,451
Other assets, at cost, less accumulated amortization of $1,293, $1,442 and $1,809, respectively	5,540	4,621	4,066
Goodwill, less accumulated amortization of $1,618, $1,865 and $1,989, respectively	4,927	4,680	4,556
Total assets	$ 227,945	$ 248,981	$256,722
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT			
CURRENT LIABILITIES:			
Accounts payable	$ 51,087	$ 59,241	$ 62,624
Accrued expenses	40,747	48,544	38,855
Total current liabilities	91,834	107,785	101,479
Deferred rent	7,159	7,533	7,702
Long-term debt	178,446	172,098	180,127
Total liabilities	277,439	287,416	289,308
Redeemable Series A 13.45% Senior Exchangeable Preferred Stock, $0.01 par value. Authorized 350,000 shares; issued and outstanding 350,000 shares at January 2, 2000, December 31, 2000, and July 1, 2001, respectively	45,408	51,721	55,199
Commitments and contingencies			
STOCKHOLDERS' DEFICIT:			
Preferred stock, $0.01 par value. Authorized 1,150,000 shares; no shares issued and outstanding at January 2, 2000, December 31, 2000 and July 1, 2001, respectively	-	--	--
Common stock, $0.01 par value. Authorized 5,000,000 shares; issued and outstanding 1,926,900, 1,926,500, and 1,926,500 shares at January 2, 2000, December 31, 2000 and July 1, 2001, respectively	19	19	19
Additional paid-in capital	9,982	9,980	9,980
Accumulated deficit	(104,903)	(100,155)	(97,784)
Net stockholders' deficit	(94,902)	(90,156)	(87,785)
Total liabilities, redeemable preferred stock and stockholders' deficit	$ 227,945	$ 248,981	$256,722

See accompanying notes to consolidated financial statements.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

FISCAL YEAR ENDED	26 WEEKS ENDED JANUARY 3,	1999	JANUARY 2, 2000	DECEMBER 31, 2000	JULY 2, 2000	JULY 1, 2001	(53 WEEKS)
					(UNAUDITED)	(UNAUDITED)	
Net sales		$ 491,430	$ 514,324	$ 571,476	$ 266,983	$ 294,635	
Cost of goods sold, buying and occupancy		330,243	341,852	377,040	175,701	193,190	
Gross profit		161,187	172,472	194,436	91,282	101,445	
Operating expenses:							
Selling and administrative		122,057	131,222	144,703	71,108	78,788	
Depreciation and amortization		8,890	9,479	9,340	4,646	5,144	
Total operating expenses		130,947	140,701	154,043	75,754	83,932	
Operating income		30,240	31,771	40,393	15,528	17,513	
Interest expense		22,975	21,574	22,008	11,063	10,181	
Income before income taxes and extraordinary gain (loss)		7,265	10,197	18,385	4,465	7,332	
Income taxes		2,838	4,000	7,324	1,820	3,032	
Income before extraordinary gain (loss)		4,427	6,197	11,061	2,645	4,300	
Extraordinary gain (loss) from early extinguishment of debt, net of income taxes		79	(372)	87	87	1,600	
Net income		$ 4,506	$ 5,825	$ 11,148	$ 2,732	$ 5,900	
Net income per common stockholder excluding extraordinary item:							
Basic		$ (0.31)	$ 0.30	$ 2.42	$ (0.23)	$ 0.40	
Diluted		$ (0.31)	$ 0.29	$ 2.35	$ (0.23)	$ 0.39	
Net income per common stockholder:							
Basic		$ (0.27)	$ 0.11	$ 2.46	$ (0.19)	$ 1.23	
Diluted		$ (0.27)	$ 0.10	$ 2.39	$ (0.19)	$	

1.19 ========== ==========
========== ========== ==========
Weighted average shares of common
stock outstanding:
Basic.....
1,934,199 1,927,374 1,926,870
1,926,900 1,926,500 ==========
========== ========== ==========
==========
Diluted.....
1,934,199 1,987,374 1,986,870
1,926,900 1,986,500 ==========
========== ========== ==========
==========

See accompanying notes to consolidated financial statements.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FISCAL YEARS ENDED JANUARY 3, 1999 (53 WEEKS), JANUARY 2, 2000 AND DECEMBER 31, 2000
AND 26 WEEKS ENDED JULY 1, 2001 (UNAUDITED)
(DOLLARS IN THOUSANDS)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	NET ACCUMULATED DEFICIT	STOCKHOLDERS' DEFICIT
	SHARES	AMOUNT			
Balance at December 28, 1997	1,940,000	$19	$10,048	$(104,577)	$(94,510)
Redeemable preferred stock dividend	--	--	--	(5,036)	(5,036)
Repurchase of common stock	(12,300)	--	(62)	--	(62)
Net income	--	--	--	4,506	4,506
Balance at January 3, 1999	1,927,700	19	9,986	(105,107)	(95,102)
Redeemable preferred stock dividend	--	--	--	(5,621)	(5,621)
Repurchase of common stock	(800)	--	(4)	--	(4)
Net income	--	--	--	5,825	5,825
Balance at January 2, 2000	1,926,900	19	9,982	(104,903)	(94,902)
Redeemable preferred stock dividend	--	--	--	(6,400)	(6,400)
Repurchase of common stock	(400)	--	(2)	--	(2)
Net income	--	--	--	11,148	11,148
Balance at December 31, 2000	1,926,500	19	9,980	(100,155)	(90,156)
Redeemable preferred stock dividend (unaudited)	--	--	--	(3,529)	(3,529)
Net income (unaudited)	--	--	--	5,900	5,900
Balance at July 1, 2001 (unaudited)	1,926,500	$19	$ 9,980	$ (97,784)	$(87,785)

See accompanying notes to consolidated financial statements.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

FISCAL YEAR ENDED					
	26 WEEKS ENDED JANUARY 3,				
		1999 JANUARY 2,			
DECEMBER 31, 2000	JULY 2, 2000	JULY 1, 2000	(53 WEEKS) 2001		
(UNAUDITED)	(UNAUDITED)				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 4,506	$ 5,825	$ 11,148	$ 2,732	$ 5,900
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	8,890	9,479	9,340	4,646	5,144
Amortization of deferred finance charges and discounts	4,638	4,293	4,684	1,961	1,932
Deferred tax provision (benefit)	181	(1,567)	(5,492)	(966)	(878)
Loss on disposal of equipment and leasehold interest	--	133	278	119	25
Extraordinary (gain) loss from early extinguishment of debt	(133)	621	(148)	(148)	(2,591)
Changes in operating assets and liabilities:					
Merchandise inventories	(17)	(7,987)	(13,698)	(14,253)	(9,420)
Trade and other accounts receivable, net	355	(58)	(680)	1,773	2,149
Income tax receivable	2,788	--	--	--	--
Prepaid expenses and other assets	(899)	219	182	63	(778)
Accounts payable	9,621	(3,088)	6,719	7,751	4,703
Accrued expenses	(169)	8,605	7,710	(8,257)	(9,739)
Net cash provided by (used in) operating activities	29,761	16,475	20,043	(4,579)	(3,553)
CASH FLOWS FROM INVESTING ACTIVITIES -- purchases of property and equipment	(8,500)	(13,075)	(11,602)	(5,237)	(4,457)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net borrowings (repayments) under revolving credit facilities and other	$(19,957)	$ 17,027	$ (1,100)	$ 17,157	$14,698
Repayment of Notes	(2,606)	(20,423)	(7,339)	(7,339)	(6,688)
Repurchase of common stock	(62)	(4)	(2)	(2)	--
Net cash provided by (used in) financing activities	(22,625)	(3,400)	(8,441)	9,816	8,010
Net increase (decrease) in cash	(1,364)	--	--	--	--
Cash at beginning of year	1,364	--	--	--	--
Cash at end of year	$ --	$ --	$ --	$ --	$ --
Supplemental disclosures of non-cash financing activities:					
Dividends on preferred stock	$ 5,036	$ 5,621	$ 6,400	$ 3,092	$ 3,529
Supplemental disclosures of cash flow information:					
Interest paid	$				

18,044 $ 16,935 $ 17,013 ======== ========
======== Income taxes
paid..... --
1,664 8,143 ======== ======== ========

See accompanying notes to consolidated financial statements.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2000, DECEMBER 31, 2000 AND JULY 1, 2001 (UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

(1) BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

The accompanying consolidated financial statements as of January 2, 2000, December 31, 2000 and July 1, 2001 (unaudited) and for the fiscal years ended January 3, 1999, January 2, 2000, December 31, 2000 and 26 weeks ended July 2, 2000 (unaudited) and July 1, 2001 (unaudited) represent the financial position and results of operations of Big 5 Sporting Goods Corporation and subsidiary. The Company operates in one business segment, as a sporting goods retailer under the Big 5 Sporting Goods name carrying a broad range of hardlines, softlines and footwear, operating 252 stores at July 1, 2001 in California, Washington, Arizona, Oregon, Texas, New Mexico, Nevada, Utah, Idaho and Colorado.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include Big 5 Sporting Goods Corporation and its wholly owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

REPORTING PERIOD

The Company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. Information presented for the fiscal years ended December 31, 2000 and January 2, 2000 represent 52-week fiscal years, while information presented for the year ended January 3, 1999 represents a 53-week fiscal year.

REVENUE RECOGNITION

The Company's revenue is received from retail sales of merchandise through the Company's stores. Revenue is recognized when merchandise is received by the customer and is shown net of returns.

OTHER RECEIVABLES

Other receivables consist principally of amounts due from vendors for certain co-op advertising and amounts due from credit card companies. An allowance for doubtful accounts is provided when accounts are determined to be uncollectible.

MERCHANDISE INVENTORIES

The Company values merchandise inventories using the lower of average cost (which approximates the first-in, first-out cost) or market method. Average cost includes the direct purchase price of merchandise inventory and certain overhead costs associated with the Company's distribution center.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and depreciated over the estimated useful lives or lease terms, using the straight-line method.

The estimated useful lives are 40 years for buildings, 7 to 10 years for fixtures and equipment and the shorter of the lease term or 10 years for leasehold improvements. Maintenance and repairs are charged to expense as incurred.

LEASEHOLD INTEREST

Upon acquisition of the Company in 1992, an asset was recognized for the net fair value of favorable operating lease agreements. The leasehold interest asset is being amortized on a straight-line basis over 13.5 years. The unamortized balance attributable to leases terminated since the acquisition has been reflected as a component of the gain or loss upon disposition of the underlying properties.

GOODWILL

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is amortized on a straight-line basis over periods ranging from 15 to 30 years. The Company assesses the recoverability of goodwill by determining whether the carrying value can be recovered through undiscounted future operating cash flows from the assets. The impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate equal to the Company's average cost of funds. Recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

OTHER ASSETS

Other assets consist principally of deferred financing costs and are amortized straight-line over the terms of the respective debt.

SELF-INSURANCE RESERVES

The Company maintains self-insurance programs for workers' compensation and general liability risks. The Company is self-insured up to specified per-occurrence limits and maintains insurance coverage for losses in excess of specified amounts. Estimated costs under these programs, including incurred but not reported claims, are recorded as expenses based upon actuarially determined historical experience and trends of paid and incurred claims.

PREOPENING EXPENSES

New store preopening expenses are charged against operations as incurred.

ADVERTISING EXPENSES

The Company recognizes advertising costs the first time the advertising takes place. Advertising expenses amounted to $33,498 for the fiscal year ended December 31, 2000, $30,613 for the fiscal year ended January 2, 2000 and $28,465 for the fiscal year ended January 3, 1999. Advertising expense is included in selling and administrative.

INCOME TAXES

The Company accounts for income taxes under the asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The realizability of deferred tax assets is assessed throughout the year and a valuation allowance is established if deemed necessary.

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income available to common stockholders by the weighted average common shares outstanding during the period. Diluted earnings per share is calculated by using the weighted average of common shares outstanding adjusted to include the potentially dilutive effect of an outstanding warrant.

USE OF ESTIMATES

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

CONCENTRATION OF CREDIT RISK

Customer purchases are generally transacted using cash or credit cards. In certain instances, the Company grants credit to schools and youth-oriented organizations, under normal trade terms. Trade accounts receivable were approximately $337 and $306 at December 31, 2000 and January 2, 2000, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF

The Company reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

STOCK COMPENSATION

The Company has adopted Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), and has elected to measure compensation costs under Accounting Principle Board Opinion No. 25, Accounting for Stock Issued to Employees, and comply with the pro forma disclosure requirements of SFAS No. 123, except for options and warrants granted to nonemployees, which are recorded in the financial statements under SFAS No. 123.

INTERIM FINANCIAL DATA

The unaudited operating results have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments (consisting of normal recurring accruals) necessary for the fair presentation for the periods presented. The unaudited financial statements should be read in conjunction with the audited consolidated financial statements presented for each of the years in the three year period ended December 31, 2000.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

On July 20, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. These new pronouncements significantly change the permissible accounting

methods for business combinations and the treatment of goodwill and other intangible assets. Prior to the adoption of these new standards, goodwill and similar intangible assets were generally amortized into income on a stated periodic basis. This treatment will be replaced by an alternative system, which will not require intangible amortization on a stated basis but rather will require periodic testing of the intangible for impairment, with no charge to income except to the extent of any such impairment. The Company is required to adopt the provisions of SFAS No. 141 immediately and SFAS No. 142 effective January 1, 2002, at which time the Company will cease to record periodic goodwill charges absent an impairment charge. As of July 1, 2001, the Company had $4.6 million of goodwill on the consolidated balance sheet. The adoption of SFAS Nos. 141 and 142 is not expected to have a material effect on the Company's financial position or results of operations.

(3) LONG-TERM DEBT

Long-term debt consists of the following:

JANUARY 2, 2001	DECEMBER 31, 2000
2000 - Revolving credit facility	
$ 39,856	$ 37,321
10.875% Senior Notes, net of unamortized discount, $104.1 million face amount due in 2007	111,453
103,768	
13.45% Senior Discount Notes, net of unamortized discount, $40.7 million face amount due in 2008	27,137
31,009	
Total long-term debt	$178,446
$172,098	

In 1997, the Company issued $131.0 million face amount, 10.875% Senior Notes due 2007 (Senior Notes), less a discount of $591 based on an imputed interest rate of 10.95%. The notes require semiannual interest payments on each May 15 and November 15, commencing on May 15, 1998. The Company has no mandatory payments of principal on the Senior Notes prior to their maturity in 2007. The notes may be redeemed in whole or in part, at the option of the Company, at any time on or after November 15, 2002, at the redemption prices set forth below with respect to the indicated redemption date, together with any accrued and unpaid interest to such redemption date. During fiscal 1999, the Company repurchased $19,100 of Senior Notes. The Company repurchased an additional $7,750 of Senior Notes during the year ended December 31, 2000.

If redeemed during the 12-month period beginning November 15, the redemption prices of the Senior Notes before accrued and unpaid interest are as follows:

YEAR	PERCENTAGE
2002	105.475%
2003	103.650
2004	101.825
2005 and thereafter	100.000

In 1997, the Company issued $48.2 million face amount, 13.45% Senior Discount Notes (Senior Discount Notes) due 2008, less discount of $24.0 million based on an imputed interest rate of 13.85%. The Senior Discount Notes were issued with a warrant (see Note 14) for aggregate consideration of $24.5 million. The Senior Discount Notes are unsecured and cash interest will not accrue on the Senior Discount Notes prior to November 30, 2002. Thereafter, cash interest on the Senior Discount Notes will accrue at 13.45% per annum and will be payable semiannually in arrears on each May 31 and November 30, commencing in May 2003. The Company has no mandatory payments of principal on the Senior Discount Notes prior to their maturity in 2008. During fiscal 1998, the Company repurchased and

retired $5.0 million face value of Senior Discount Notes. The Company repurchased and retired $2.5 million face value of Senior Discount Notes in fiscal 1999.

The Senior Discount Notes may be redeemed, in their entirety only, at the option of the Company upon the Company's receipt of proceeds from an initial public offering of its common stock at any time prior to November 30, 2002 at a redemption price equal to 113.45% of their accreted value plus accrued but unpaid interest.

The Senior Discount Notes may also be redeemed at the option of the Company in whole or in part on or after November 30, 2002 at the redemption prices set forth below with respect to the indicated redemption date together with any accrued and unpaid interest to such redemption date. The Senior Discount Notes Indenture contains covenants that, among other things, limit the ability of the Company to enter into certain mergers or consolidations or incur certain liens and to incur additional indebtedness, pay dividends and make certain other restricted payments and engage in certain transactions with affiliates. Under certain circumstances, including a change in control (as defined in the Senior Discount Notes indenture), the Company may be required to make an offer to purchase the Senior Discount Notes at prices specified in the Senior Discount Note indenture. The Senior Discount Notes indenture contains certain customary events of default, which include the failure to pay interest and principal, the failure to comply with certain covenants in the Senior Discount Notes or certain events occurring under bankruptcy laws.

If redeemed during the 12-month period beginning November 30, the redemption prices of the Senior Discount Notes before accrued and unpaid interest are as follows:

YEAR	PERCENTAGE
2002	110.000%
2003	106.670
2004	103.330
2005 and thereafter	100.000

The Company has a five-year, non-amortizing $125.0 million revolving credit facility (the CIT Credit Facility), expiring in November 2002. The CIT Credit Facility bears interest at various rates based on the Company's performance, with a floor of LIBOR plus 1.50% or the Chase Manhattan prime lending rate and a ceiling of LIBOR plus 2.50% or the Chase Manhattan prime lending rate plus 0.75% and is secured by trade accounts receivable, merchandise inventory and general intangible assets (including trademarks and trade names) of the Company. At December 31, 2000, loans under the CIT Credit Facility bear interest at a rate of LIBOR (6.73% at December 31, 2000) plus 1.50% or the Chase Manhattan prime lending rate (9.50% at December 31, 2000). An annual fee of 0.325%, payable monthly, is assessed on the unused portion of the facility. On December 31, 2000, the Company had $37,321 in LIBOR and prime lending rate borrowings and letters of credit of $4,046 outstanding. The Company's maximum eligible borrowing available under the facility is limited to 70% of the aggregate value of eligible inventory during November through February and 65% of the aggregate value of eligible inventory during the remaining months of the year. Available borrowings over and above actual LIBOR and prime rate borrowings and letters of credit outstanding on the CIT Credit Facility amounted to $73,826 at December 31, 2000.

The various debt agreements contain covenants restricting the ability of the Company to, among other things, incur additional debt, pay dividends, merge or consolidate with or invest in other companies, sell, lease or transfer all or substantially all of its properties or assets, or make certain payments with respect to its outstanding capital stock, and engage in certain transactions with affiliates. In addition, the Company must comply with certain financial covenants. The Company was in compliance with such covenants at December 31, 2000.

(4) FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, trade and other receivables, trade accounts payable and accrued expenses approximate the fair values of these instruments due to their short-term nature. The fair value of the Company's Senior Notes at December 31, 2000 approximated $92.7 million based on recent market prices. The fair value of the Company's Senior Discount Notes at December 31, 2000 approximated $21.8 million based on recent market prices. The carrying amount of the revolving credit facility reflects the fair value based on current rates available to the Company for debt with the same remaining maturities.

(5) LEASES

The Company currently leases certain stores, distribution facilities, vehicles and equipment under noncancelable operating leases that expire through the year 2019. These leases generally contain renewal options for periods ranging from 5 to 15 years and require the Company to pay all executory costs such as maintenance and insurance.

Certain leases contain escalation clauses and provide for contingent rentals based on percentages of sales. The Company recognizes rental expense on a straight-line basis over the terms of the underlying leases, without regard to when rentals are paid. The accrual of the current noncash portion of this rental expense has been included in depreciation and amortization in the accompanying consolidated statements of operations and cash flows and deferred rent in the accompanying consolidated balance sheets.

Rental expense for operating leases consisted of the following:

FISCAL YEAR ENDED		
JANUARY 3, 2000	JANUARY 2, 2000	DECEMBER 31, 1999
Cash rental payments		
$25,711	$27,179	$29,667
Noncash rentals		
546	625	375
Contingent rentals		
1,506	1,360	1,592
Rental expense		
$27,763	$29,164	$31,634

Future minimum lease payments (cash rentals) under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2000 are:

Year ending:	
2001	$30,944
2002	29,765
2003	28,995
2004	28,213
Thereafter	145,966

(6) ACCRUED EXPENSES

Accrued expenses consist of the following:

JANUARY 2,	DECEMBER 31,
2000	2000
----------- Payroll and related expenses.....	$11,651
$13,557 Advertising.....	4,973
5,059 Sales tax.....	5,946
6,781 Income tax.....	3,274
8,018 Other.....	14,903
15,129 -------	-------
$40,747	$48,544
=======	=======

(7) INCOME TAXES

Total income tax expense (benefit) consists of the following:

FISCAL YEAR ENDED		
JANUARY 3, 1999	JANUARY 2, 2000	DECEMBER 31, 2000
----------	---------- Income tax before extraordinary gain (loss).....	$ 2,838
$ 4,000	$7,324 Tax effect of extraordinary gain (loss).....	54
(249)	61	-------
-------	------ Total income tax expense.....	
$ 2,892	$ 3,751	$7,385
=======	=======	======

CURRENT	DEFERRED	TOTAL
----------	----------	---------- 2000:
Federal.....	$10,506	$(4,882)
$5,624 State.....	2,310	(610)
1,700 -------	-------	-------
------	$12,816	$(5,492)
$7,324 =======	=======	======
1999:		
Federal.....	$ 4,591	$(1,327)
$3,264 State.....	976	(240)
736 -------	-------	-------
------	$ 5,567	$(1,567)
$4,000 =======	=======	======
1998:		
Federal.....	$ 2,475	$ (206)
$2,269 State.....	182	387
569 -------	-------	-------
------	$ 2,657	$ 181
$2,838 =======	=======	======

The provision for income taxes differs from the amounts computed by applying the Federal statutory tax rate of 35% to earnings before income taxes and extraordinary items, as follows:

FISCAL YEAR ENDED		
JANUARY 3, 2000	JANUARY 2, 2000	DECEMBER 31, 1999
Tax expense at statutory rate	$2,542	$3,568	$6,434
State taxes, net of Federal benefit	352	495	875
Increase (decrease) in valuation allowance, net of IRS adjustment in 1998	(157)	--	--
Other	101	(63)	15
	$2,838	$4,000	$7,324

Deferred tax assets and liabilities consist of the following tax-effected temporary differences:

JANUARY 2, 2000	DECEMBER 31, 2000	
Deferred tax assets:		
Self-insurance reserves	$1,401	$ 1,844
Employee benefits	1,476	1,754
State taxes	455	809
Noncash rent expense	2,852	3,001
Amortization of tangible and intangible assets	827	598
Deferred interest	--	4,560
Other	700	883
Deferred tax assets	7,711	13,449
Deferred liabilities -- basis in fixed assets	44	290
Net deferred tax assets	$7,667	$13,159

In 1998, the Company reduced the valuation allowance to reflect realizability of its deferred tax assets. In doing so, management considered whether it was more likely than not that some portion or all of the deferred tax assets would be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections of future taxable income over the periods during which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

(8) EMPLOYEE BENEFIT PLANS

The Company has a 401(k) plan that covers all eligible employees. All employee contributions may be supplemented by Company contributions. The Company contributed $1,650 for the year ended December 31, 2000, $1,483 for the year ended January 2, 2000 and $1,411 for the year ended January 3, 1999 in employer matching and profit sharing contributions.

The Company has no other significant postretirement or postemployment benefits.

(9) RELATED PARTY TRANSACTIONS

Prior to September 1992, the Company was a wholly owned subsidiary of Thrifty Corporation (Thrifty), which was in turn a wholly owned subsidiary of Pacific Enterprises (PE). In December 1996, Thrifty was acquired by Rite Aid Corporation (Rite Aid).

As a result of the Company's prior relationship with Thrifty and its affiliates, the Company continues to maintain certain relationships with Rite Aid and PE. These relationships include continuing indemnification obligations of PE to the Company for certain environmental matters; agreements between the Company and PE with respect to various tax matters and obligations under ERISA, including the allocation of various tax obligations relating to the inclusion of the Company and each member of the affiliated group of which the Company was a subsidiary in certain consolidated and/or unitary tax returns of PE; and subleases described as follows.

The Company leases certain property and equipment from Rite Aid, which leases this property and equipment from an outside party. Charges related to these leases totaled $203 for the year ended December 31, 2000, $194 for the year ended January 2, 2000 and $435 for the year ended January 3, 1999.

The Company has a Management Services Agreement with an investment advisor group that is an affiliate of a stockholder of the Company that expires in May 2005, under which $333, plus expenses, will be paid annually for financial advisory and investment banking services. During each of the years ended December 31, 2000, January 2, 2000 and January 3, 1999, the Company paid $340 to this advisor group. An executive officer and equity owner of the investment advisor group is a member of the Company's Board of Directors.

(10) CONTINGENCIES

On August 9, 2001, the Company received a copy of a complaint filed in the California Superior Court in Los Angeles entitled Mosely, et al., v. Big 5 Corp., Case No. BC255749, alleging violations of the California Labor Code and the Business and Professions Code. This complaint was brought as a purported class action with two subclasses comprised of the Company's California store managers and the Company's California first assistant store managers. The plaintiffs allege that the Company improperly classified the store managers and assistant store managers as exempt employees not entitled to overtime pay for work in excess of forth hours per week. They seek, on behalf of the class members, back pay for overtime allegedly not paid, statutory penalties in the amount of an additional thirty days' wages and injunctive relief to require the Company to treat store management as non-exempt. The complaint has only recently been filed. The Company has not yet answered the complaint and discovery has not commenced. The Company intends to defend the case vigorously. This litigation could have a material adverse effect on the Company's financial condition, and any required change in the Company's labor practices, as well as costs of defending this litigation, could have a negative impact on the Company's results of operations.

The Company is also involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

(11) BUSINESS CONCENTRATIONS

The Company operates traditional sporting goods retail stores located principally in the Western states of the United States. The Company is subject to regional risks such as the local economies, weather conditions and natural disasters and government regulations. If the region were to suffer an economic downturn or if other adverse regional events were to occur, there could be a significant adverse effect on management's estimates and an adverse impact on the Company's performance. The retail industry is

impacted by the general economy. Changes in the marketplace may significantly affect management's estimates and the Company's performance.

(12) QUARTERLY FINANCIAL DATA (UNAUDITED)

FISCAL YEAR ENDED DECEMBER 31, 2000	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Net sales	$129,712	$137,271	$146,169	$158,324	$571,476
Gross profit	42,888	48,394	48,913	54,241	194,436
Net income	134	2,598	2,422	5,994	11,148

FISCAL YEAR ENDED JANUARY 2, 2000	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Net sales	$117,097	$125,579	$131,440	$140,208	$514,324
Gross profit	38,269	43,857	43,040	47,306	172,472
Net income	(837)	1,880	500	4,282	5,825

(13) REDEEMABLE PREFERRED STOCK

In November 1997, the Company authorized and issued 350,000 shares of redeemable Series A 13.45% Senior Exchangeable Preferred Stock (Preferred Stock), par value $0.01 per share, with a liquidation preference of $100.00 per share as of the date of issue. The Preferred Stock has a liquidation preference over the Common Stock equal to the initial liquidation value of the Preferred Shares plus accrued and unpaid dividends thereon. The Preferred Stock bears cumulative dividends at the rate of 13.45% per annum. Dividends may, at the option of the Company, be paid in cash or by adding to the liquidation preference of the Preferred Stock an amount equal to the dividends then accrued and payable. The Preferred Stock may, subject to certain conditions, be exchanged at the option of the Company into Subordinated Exchange Debentures, which shall have terms substantially similar to those of the Preferred Stock. Accrued and unpaid dividends were $831 and $918 at January 2, 2000 and December 31, 2000, respectively.

At January 3, 1999, January 2, 2000 and December 31, 2000, redeemable preferred stock consists of the following:

FISCAL YEAR ENDED	JANUARY 3, 1999	JANUARY 2, 2000	DECEMBER 31, 2000
Initial liquidation preference	$35,000	$35,000	$35,000
Dividends added to initial liquidation preference	4,866	10,408	16,721
	$39,866	$45,408	$51,721

The Preferred Stock is subject to mandatory redemption on November 13, 2009 at 100% of the liquidation preference plus accrued and unpaid dividends. Prior to November 13, 2002, the Company may also redeem the Preferred Stock with the proceeds from an initial public offering of its common stock at 110% of the liquidation preference plus accrued and unpaid dividends. The Preferred Stock may be redeemed at the option of the Company in whole or in part on or after November 13, 2002 at the redemption prices set forth below with respect to the

indicated redemption date together with any accrued and unpaid dividends to such redemption date.

If redeemed during the 12-month period beginning November 13, the redemption prices of the Preferred Stock before accrued and unpaid interest are as follows:

YEAR	PERCENTAGE
2002	106.725%
2003	105.380
2004	104.035
2005	102.690
2006	101.345
2007 and thereafter	100.000

(14) STOCK OPTIONS, RESTRICTED STOCK AND WARRANT

1997 MANAGEMENT EQUITY PLAN

The 1997 Management Equity Plan (Plan) provides for the sale of shares or granting of incentive stock options or nonqualified options to officers, directors and selected key employees of the Company to purchase shares of the Company's common stock. The 1997 Plan is administered by the Board of Directors and the granting of awards under the Plan is discretionary with respect to the individuals to whom and the times at which awards are made, the number of options awarded or shares sold, and the vesting and exercise period of such awards. The options and stock granted under the Plan must have an exercise or sale price that is no less than 85% of the fair value of the Company's common stock at the time the stock option or stock is granted or sold. The aggregate number of common shares that may be allocated to awards under the Plan is 560,000 shares. No more than 100,000 of these shares shall be subject to stock options outstanding at any time. Options granted or restricted stock sold under the 1997 Plan vest ratably over five years from the date the options are granted and have an exercise period not to exceed 120 months from the date the Stock option is granted. The Plan does not allow for the transfer of options or stock purchase rights. As of December 31, 2000, no options had been granted under the 1997 Plan and 462,309 shares of restricted common stock had been sold under the Plan.

In connection with the issuance of the Senior Discount Notes in 1997, the Company issued a warrant to purchase 60,000 shares of common stock. The warrant is exercisable at any time with an exercise price of $0.01 per share. The warrant expires on November 30, 2008. The fair value of the warrant at the time of issuance was $0.3 million. At December 31, 2000 the warrant had not been exercised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(15) EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per common share:

	FISCAL YEAR ENDED			26 WEEKS ENDED	
	DECEMBER 31, 1999	JANUARY 3, 2000	JANUARY 2, 2000	JULY 2, 2000	JULY 1, 2001
				(UNAUDITED)	
Income before extraordinary gain (loss)	$ 4,427	$ 6,197	$ 11,061	$ 2,645	$ 4,300
Extraordinary gain (loss)	79	(372)	87	87	1,600
Net income	4,506	5,825	11,148	2,732	5,900
Less: Preferred stock dividends	5,036	5,621	6,400	3,092	3,529
Net income (loss) available to common stockholders	$ (530)	$ 204	$ 4,748	$ (360)	$ 2,371
Basic earnings (loss) per share: Income before extraordinary gain (loss)	$ (0.31)	$ 0.30	$ 2.42	$ (0.23)	$ 0.40
Net income	$ (0.27)	$ 0.11	$ 2.46	$ (0.19)	$ 1.23
Diluted earnings (loss) per share: Income before extraordinary gain (loss)	$ (0.31)	$ 0.29	$ 2.35	$ (0.23)	$ 0.39
Net income	$ (0.27)	$ 0.10	$ 2.39	$ (0.19)	$ 1.19
Weighted average shares of common stock outstanding:					
Basic	1,934,199	1,927,374	1,926,870	1,926,900	1,926,500
Dilutive effect of outstanding warrant	--	60,000	60,000	--	60,000
Diluted	1,934,199	1,987,374	1,986,870	1,926,900	

1,986,500	==========
==========	==========
==========	==========

Shares issuable upon the exercise of the warrant not included in the calculation of diluted earnings per share were 60,000 for the fiscal year ended January 3, 1999 and 60,000 (unaudited) for the twenty-six weeks ended July 2, 2000 because they were antidilutive.

[BACK PAGE]

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale of common stock being registered, all of which will be paid by the Registrant:

AMOUNT	
Registration fee -- Securities and Exchange Commission	$ 28,750
Filing fee -- National Association of Securities Dealers, Inc.	12,000
Quotation fee -- The Nasdaq National Market	95,000
Printing and engraving expenses	200,000
Legal fees and expenses	400,000
Accounting fees and expenses	100,000
Blue sky fees and expenses	10,000
Transfer agent and registrar fees and expenses	15,000
Miscellaneous	50,000
Total	$910,750

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation ("DGCL") provides that a corporation has the power to indemnify its officers, directors, employees and agents (or persons serving in such positions in another entity at the request of the corporation) against expenses, including attorney's fees, judgments, fines or settlement amounts actually and reasonably incurred by them in connection with the defense of any action by reason of being or having been directors or officers, if such person shall have acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation (and, with respect to any criminal action, had no reasonable cause to believe the person's conduct was unlawful), except that if such action shall be by or in the right of the corporation, no such indemnification shall be provided as to any claim, issue or matter as to which such person shall have been judged to have been liable to the corporation unless and to the extent that the Court of Chancery of the State of Delaware, or another court in which the suit was brought, shall determine upon application that, in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity. The Registrant's certificate of incorporation provides that the Registrant will indemnify its officers and directors to the fullest extent permitted by Delaware law.

As permitted by Section 102 of the DGCL, the Registrant's certificate of incorporation provides that no director shall be liable to the Registrant or its stockholders for monetary damages for any breach of fiduciary duty as a director other than (i) for breaches of the director's duty of loyalty to the Registrant or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for the unlawful payment of dividends or unlawful stock purchases or redemptions under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit.

The Underwriting Agreement is expected to provide that the underwriters are obligated, under certain circumstances, to indemnify directors, officers and controlling persons of the Registrant against certain liabilities, including liabilities under the Securities Act. Reference is made to the form of Underwriting Agreement to be filed as Exhibit 1.1 hereto.

The Registrant maintains directors and officers liability insurance for the benefit of its directors and certain of its officers, and intends to enter into indemnification agreements (in the form to be filed as Exhibit 10.16 hereto) for the benefit of its directors and certain of its officers.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

There have been no sales of the Registrant's securities that were not registered under the Securities Act during the past three years.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

See exhibits listed on the Exhibit Index following the signature page of this Form S-1, which is incorporated herein by reference.

(b) FINANCIAL STATEMENT SCHEDULES:

PAGE ---- Schedule
II -- Valuation and
Qualifying
Accounts.....
S-1

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act, may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions referenced in Item 14 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act, and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, California, on the 21st day of August, 2001.

BIG 5 SPORTING GOODS CORPORATION

By: /s/ STEVEN G. MILLER

Steven G. Miller
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Charles P. Kirk and Gary S. Meade and each of them acting individually, as true and lawful attorneys-in-fact and agents each with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to sign any and all amendments to said Registration Statement (including post-effective amendments and registration statements filed pursuant to Rule 462 and otherwise), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission granting unto said attorneys-in-fact and agents the full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the foregoing, as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his substitute, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated below.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated below.

SIGNATURE	TITLE	DATE
/s/ STEVEN G. MILLER	President, Chief Executive Officer and Director (Principal Executive Officer)	August 21, 2001
Steven G. Miller		
/s/ CHARLES P. KIRK	Chief Financial Officer (Principal Financial and Accounting Officer)	August 21, 2001
Charles P. Kirk		
/s/ ROBERT W. MILLER		

Chairman of the Board	August 21, 2001	---
Robert W. Miller /s/ MICHAEL D. MILLER	Director	August 21, 2001
Michael D. Miller /s/ JOHN G. DANHAKL	Director	August 21, 2001
John G. Danhakl		

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(DOLLARS IN THOUSANDS)

	BALANCE AT BEGINNING OF YEAR	ADDITIONS: CHARGES TO A/R	ADDITIONS: BALANCE AT END OF YEAR	DEDUCTIONS: OF A/R WRITE OFFS
January 3, 1999 Allowance for doubtful receivables	$118	$120	$ (37)	$201
January 2, 2000 Allowance for doubtful receivables	201	120	(228)	93
December 31, 2000 Allowance for doubtful receivables	93	120	(202)	11

EXHIBIT INDEX

EXHIBIT NUMBER	TITLE
1.1	Form of Underwriting Agreement*
3.1	Restated Certificate of Incorporation of the Registrant (as currently in effect)
3.1.1	Certificate of Amendment of Certificate of Incorporation of the Registrant (as currently in effect)
3.2	Registrant Bylaws (as currently in effect)
3.3	Form of Amended and Restated Certificate of Incorporation of the Registrant (to be filed with the Delaware Secretary of State prior to the closing of the offering)*
3.4	Form of Amended and Restated Bylaws (to be adopted upon the closing of the offering)*
4.1	Form of Specimen of Common Stock Certificate*
4.2(1)	Indenture dated as of November 13, 1997 between Big 5 Corp. and First Trust National Association, as trustee
4.3(1)	Form of Big 5 Corp. 10.875% Series B Senior Notes due 2007 (included in Exhibit 4.2)
4.4	Indenture dated as of November 13, 1997 between the Registrant and First Trust National Association, as trustee
4.5	Form of Registrant 13.45% Senior Discount Notes due 2008
5.1	Opinion of Irell & Manella LLP (including consent)*
10.1	Amended and

Restated Stockholders Agreement among the Registrant, Green Equity Investors, L.P., Steven G. Miller and Robert W. Miller* 10.2(1) Management Services Agreement dated as of November 13, 1997 by and among Registrant, Big 5 Corp. and Leonard Green & Associates, L.P. 10.3 1997 Management Equity Plan 10.4 2001 Stock Incentive Plan* 10.5 Amended and Restated Employment Agreement between Robert W. Miller and the Registrant* 10.6 Amended and Restated Employment Agreement between Steven G. Miller and the Registrant* 10.7(2) Amended and Restated Indemnification Implementation Agreement between Big 5 Corp. (successor to United Merchandising Corp.) and Thrifty PayLess Holdings, Inc. dated as of April 20, 1994 10.8(2) Agreement and Release among Pacific Enterprises, Thrifty PayLess Holdings, Inc., Thrifty PayLess, Inc., Thrifty and Big 5 Corp. (successor to United Merchandising Corp.) dated as of March 11, 1994 10.12(3) Lease among Big 5 Corp. (Lessee) and the State of Wisconsin Investment Board (Lessor) dated as of March 5, 1996 10.9(3) Financing Agreement dated March 8, 1996 between The CIT Group/Business

Credit, Inc. and Big 5 Corp.

10.10(3) Grant of Security Interest in and Collateral Assignment of Trademarks and Licenses dated as of March 8, 1996 by Big 5 Corp. in favor of The CIT Group/Business Credit, Inc.

10.11(3) Guarantee dated March 8, 1996 by Big 5 Corporation (now known as the Registrant) in favor of The CIT Group/Business Credit, Inc.

10.13(1) Letter from The CIT Group/Business Credit, Inc. to the Big 5 Corp. dated November 13, 1997, amending the Financing Agreement dated March 8, 1996 between Big 5 Corp. (successor to United Merchandising Corp.) and The CIT Group/Business Credit, Inc.

10.14 Letter from The CIT Group/Business Credit, Inc. to Big 5 Corp. dated December 16, 1997, amending the Financing Agreement dated March 8, 1996 between Big 5 Corp. (successor to United Merchandising Corp.) and The CIT Group/Business Credit, Inc.

EXHIBIT NUMBER	TITLE
10.15	Fifth Amendment To Financing Agreement, dated March 21, 2000, by and among Big 5 Corp. and The CIT Group/Business Credit, Inc., amending the Financing Agreement, dated March 8, 1996, between Big 5 Corp. (successor to United Merchandising Corp.) and The CIT Group/Business Credit, Inc.
10.16	Form of Indemnification Agreement*
21.1	Subsidiaries of the Registrant
23.1	Consent of KPMG LLP
23.2	Consent of Irell & Manella LLP (included in Exhibit No. 5.1)*
24.1	Powers of Attorney (included on signature page)

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* To be filed by amendment.

(1) Incorporated by reference to Big 5 Corp.'s Registration Statement on Form S-4 (file no. 333-43129) filed with the Securities and Exchange Commission on December 23, 1997.

(2) Incorporated by reference to Big 5 Corp.'s Annual Report on Form 10-K for the year ended January 1, 1995

(3) Incorporated by reference to Big 5 Corp.'s Annual Report on Form 10-K for the year ended December 31, 1995.

EXHIBIT 3.1

RESTATED CERTIFICATE OF INCORPORATION

OF

BIG 5 HOLDINGS CORP.
a Delaware corporation

(originally incorporated on October 31, 1997)

FIRST: The name of the corporation is Big 5 Holdings Corp.

SECOND: The address of the corporation's registered office in the State of Delaware is 30 Old Rudnick Lane, in the City of Dover, County of Kent. The name of the corporation's registered agent at such address is CorpAmerica, Inc.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law ("DGCL").

FOURTH: (A) The total number of shares of all classes of stock which the corporation shall have authority to issue is Six Million Five Hundred Thousand (6,500,000), consisting of:

1. Five Million (5,000,000) shares of Common Stock of the par value of one cent ($.01) each (hereinafter referred to as "COMMON STOCK"); and

2. One Million Five Hundred Thousand (1,500,000) shares of Preferred Stock of the par value of one cent ($.01) each (hereinafter referred to as "PREFERRED STOCK").

(B) Common Stock

1. Except where otherwise provided by law, by this Certificate of Incorporation, or by resolution of the Board of Directors pursuant to this Article FOURTH, the holders of the Common Stock issued and outstanding shall have and possess the exclusive right to notice of stockholders' meetings and the exclusive voting rights and powers.

2. Subject to all of the rights of the Preferred Stock, dividends may be paid on the Common Stock, as and when declared by the Board of Directors, out of any funds of the corporation legally available for the payment of such dividends.

(C) Preferred Stock.

The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of the shares of Preferred Stock in one or

more series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the certificate or certificates establishing the series of Preferred Stock.

(D) Designation of Rights, Preference, Privileges and Restrictions with Respect to Series A 9% Cumulative Redeemable Preferred Stock.

1. Authorization, Issuance and Face Amount. Upon the effectiveness of a merger of the parent corporation of the corporation with and into the corporation, the corporation shall issue a series of Preferred Stock designated "Series A 9% Cumulative Redeemable Preferred Stock" (hereinafter "SERIES A PREFERRED"). The Series A Preferred shall be issued in exchange for any preferred stock of such predecessor corporation having substantially similar terms as the Series A Preferred (the "EXCHANGED PREFERRED") on a share-for-share basis. The number of shares which constitutes such series is 250,000, which number may be decreased (but not below the number thereof then outstanding) from time to time by the corporation's Board of Directors. The shares of Series A Preferred shall be issued by the corporation for their Face Amount (as herein defined), equal to the face amount of such Exchanged Preferred at such time and to such persons as provided in the instruments governing such merger with the corporation's parent. For purposes of this paragraph (D) the Series A Preferred shall be deemed to have been issued at the time of the issue of the Exchanged Preferred. For the purposes hereof, the "FACE AMOUNT" of each share of Series A Preferred (regardless of its par value) shall be $100 (as the Series A Preferred is presently constituted, such amount to be proportionately adjusted to reflect any combination, consolidation, reclassification or like adjustment to the Series A Preferred).

2. Rank. The Series A Preferred shall, with respect to dividend rights and rights on liquidation, winding up and dissolution, rank junior to all classes and series of stock of the corporation now or hereafter authorized, issued or outstanding (collectively, the "SENIOR SECURITIES") other than the corporation's "Junior Securities". For the purposes hereof, "JUNIOR SECURITIES" shall mean the corporation's Common Stock, any other class or series of the corporation's common equity, and such other classes or series of stock of the corporation as shall be designated as junior to the Series A Preferred with respect to dividend rights and rights on liquidation, winding up and dissolution by (i) the Board of Directors pursuant to the authority granted to it under Article FOURTH, Section (C) of the Certificate of Incorporation, or (ii) by amendment to the Certificate of Incorporation, duly adopted by the corporation and its stockholders as provided pursuant to the DGCL.

3. Dividends.

(a) Amount. The holders of shares of the Series A Preferred shall be entitled to receive, when, as and if declared by the Board of Directors of the corporation, out of funds legally available therefor, cash dividends at the rate of 9% per annum of the Face Amount per share, and no more. Dividends shall be paid pro rata to the holders entitled thereto.

(b) Cumulation And Time Of Payment. The dividends indicated in subparagraph (a) of this Section 3 shall be cumulative and shall accrue from day to day, whether or not earned or declared, commencing with the date of issue of the particular shares of Series A Preferred or from the most recent preceding Dividend Payment Date (as defined below) through which all dividends have been paid, whichever is later. Dividends, as and if declared by the Board of Directors of the corporation, shall be payable quarterly at a date to be designated by the Board of Directors of the corporation which falls within the last fifteen days (or, if the Board of Directors has not designated a day, the last day) of March, June, September and December in each year (each of such dates being a "DIVIDEND PAYMENT DATE"). No undeclared or unpaid dividend shall bear or accrue interest. For purposes of determining the accrual of dividends on the Series A Preferred, the date of issue of the Series A Preferred shall be the date of issue of the Exchanged Preferred and dividends shall be deemed to have accrued on the Series A Preferred from the later of the issue date of the Exchanged Preferred or the most recent preceding dividend payment date of the Exchanged Preferred through which all dividends have been paid on the Exchanged Preferred.

(c) Payment Of Accumulated Dividends. Accumulated dividends not paid on prior Dividend Payment Dates may be declared by the Board of Directors and paid to the holders of record of outstanding shares of Series A Preferred as their names shall appear on the stock register of the corporation on a record date to be established by the Board of Directors, which record date shall be not more than sixty (60) nor less than thirty (30) days preceding the date of payment, whether or not such date is a Dividend Payment Date. Holders of outstanding shares of Series A Preferred shall not be entitled to receive any dividends in excess of the full cumulative dividends to which such holders are entitled as herein provided. Any payment of accumulated dividends pursuant to this provision shall be applied first to accumulated dividends relating to the earliest Dividend Payment Date for which dividends were not paid, then to the next such Dividend Payment Date, and so on, up to and including the most recent Dividend Payment Date for which dividends were not paid.

(d) Priority Of Cumulative Dividends. In addition to certain other restrictions contained herein, so long as any shares of Series A Preferred are outstanding, the corporation shall not (i) declare, pay or set apart for payment any dividend on, or make any distribution in respect of, the Junior Securities or any warrants, rights, calls or options exercisable for or convertible into any of the Junior Securities, either directly or indirectly, whether in cash, obligations or shares of the corporation or other property (other than distributions or dividends of a particular class or series of Junior Securities, or warrants, rights or options exercisable for such Junior

Securities, to holders of such Junior Securities), or (ii) make any payment on account of, or set apart for payment money for a sinking or other similar fund for, the purchase, redemption, retirement or other acquisition for value of any of, or redeem, purchase, retire or otherwise acquire for value any of, the Junior Securities (other than as a result of a reclassification of Junior Securities into other Junior Securities or the exchange or conversion of one class or series of Junior Securities for or into another class or series of Junior Securities) or any warrants, rights, calls or options exercisable for or convertible into any of the Junior Securities, or (iii) permit any corporation or other entity directly or indirectly controlled by the corporation to purchase, redeem, retire or otherwise acquire for value any of the Junior Securities or any warrants, rights, calls or options exercisable for or convertible into any of the Junior Securities, unless, and in each such case, prior to or concurrently with such declaration, payment, setting apart for payment, purchase, redemption, retirement or other acquisition for value or distribution in respect of Junior Securities, all accrued and unpaid dividends (including accrued dividends, if any, not paid by reason of the terms and conditions of Section 3(e) hereof), if any, on shares of Series A Preferred shall have been paid through the next preceding Dividend Payment Date or, if such declaration, payment, setting apart for payment, purchase, redemption, retirement, other acquisition for value or distribution occurs on a Dividend Payment Date, through such Dividend Payment Date; provided, however, that this restriction shall not apply to the repurchase of shares of Common Stock held by employees or consultants of the corporation or any of its subsidiaries (or their permitted transferees) that are subject to restrictive stock purchase agreements or similar contractual provisions under which the corporation has the option or obligation to repurchase such shares upon the occurrence of certain events, such as termination of employment.

(e) Restrictions On Payment Of Dividends. Notwithstanding anything contained herein to the contrary, no cash dividends on shares of Series A Preferred shall be declared by the Board of Directors or paid or set apart for payment by the corporation: (i) unless, prior to or concurrently with such declaration, payment or setting apart, all accrued and unpaid dividends, if any, on shares of Senior Securities shall have been paid or declared and set apart for payment through the dividend payment period with respect to such Senior Securities which next precedes or coincides with the date of declaration, payment or setting apart for payment by the corporation of such cash dividends; or (ii) at such time as such declaration, payment or setting apart is prohibited by the DGCL; or (iii) at such time as the terms and provisions of any contract or other agreement of the corporation or any of its subsidiaries entered into or assumed providing financing (including acquisition financing) or working capital to the corporation or any of its subsidiaries (whether or not entered into prior to, at or after the issuance of the Series A Preferred), specifically prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder.

4. Liquidation Preference.

(a) The Liquidation Preference. If the corporation voluntarily or involuntarily liquidates, dissolves or winds up its affairs, then, before any

distribution or payment shall be made to the holders of any Junior Securities, the holders of shares of Series A Preferred then outstanding shall be entitled to be paid out of the assets of the corporation available for distribution to its stockholders an amount in cash equal to the Face Amount of each share outstanding together with an amount in cash equal to all accrued and unpaid dividends thereon to the date fixed for liquidation, dissolution or winding up (the "LIQUIDATION PREFERENCE"). If the assets of the corporation are not sufficient to pay in full the Liquidation Preference payable to the holders of outstanding shares of Series A Preferred, then holders of all such shares shall share ratably in any distribution of assets in proportion to the amount that would be payable on such distribution if the amounts to which the holders of outstanding shares of Series A Preferred are entitled were paid in full. After payment of the full amount of the Liquidation Preference to which each holder is entitled, such holders of shares of Series A Preferred will not be entitled to any further participation in any distribution of the assets of the corporation.

(b) Events Not Constituting Liquidation, Etc. For the purposes of this Section 4, neither the voluntary sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the corporation nor the consolidation or merger of the corporation with or into any other corporation shall be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the corporation.

5. Redemption.

(a) Optional Redemption. Subject to the restrictions set forth in Section 5(e) hereof, the corporation may, at the option of the Board of Directors, at any time or from time to time, in whole or in part, redeem the shares of Series A Preferred at the time outstanding, upon notice given as hereinafter specified and on a date as specified in such notice (the "OPTIONAL REDEMPTION DATE"), at a redemption price equal to the Face Amount per share, together with accrued and unpaid dividends thereon to the Optional Redemption Date (the "OPTIONAL REDEMPTION PRICE").

(b) Mandatory Redemption. Subject to the restrictions set forth in Section 5(d) hereof, prior to the payment of any required mandatory redemption payment then due with respect to outstanding Junior Securities, the corporation shall redeem in full the Series A Preferred on the date of the earliest to occur of any of the following circumstances (each a "MANDATORY REDEMPTION DATE"): (i) September 24, 2003; (ii) upon the sale, lease or transfer of all or substantially all of the assets of the corporation and its subsidiaries, taken as a whole, to any person other than an affiliate (as defined in Section 8(b) of this paragraph (D)) of the corporation; (iii) upon the consolidation or merger of the corporation with or into any other corporation, in which the corporation is not the surviving entity, with the effect that the Common Stock holders of the corporation immediately prior to such transaction hold, directly or indirectly, 50% or less of the total voting power entitled to vote in the election of directors, managers or trustees of the surviving corporation of such merger; (iv) on the date that Green Equity Investors, L.P. and its affiliates, considered as one entity, cease to be the largest single holder of Common Stock of the corporation or cease to

beneficially own at least thirty percent (30%) of the voting stock of the corporation; or (v) upon a recapitalization or refinancing of the corporation substantially all of the proceeds of which are used to pay a dividend or distribution on, or to redeem, Junior Securities. The price at which outstanding shares of Series A Preferred shall be redeemed pursuant to this subparagraph (b) of Section 5 shall be the Face Amount per share, together with all accrued but unpaid dividends on such shares to the date fixed for such redemption (the "MANDATORY REDEMPTION PRICE").

(c) Additional Mandatory Redemption. If at any time (i) the corporation delivers its written offer or written notice of an offer by a third party approved by the Board of Directors of the corporation (in either case, an "EXCHANGE OFFER NOTICE") to the holders of all outstanding shares of Series A Preferred (and provided that the Exchange Offer Notice specifically refers to this Section 5(c)) to exchange such Series A Preferred for other property (including cash, property or rights, including securities of the corporation or another corporation) (for each share of Series A Preferred, the "EXCHANGE CONSIDERATION"), and (ii) within thirty (30) days after the giving of such Exchange Offer Notice, the holders of at least two-thirds in interest of the Series A Preferred issued and outstanding as of the date of the Exchange Offer Notice (the "TENDERING HOLDERS") accept such exchange offer and complete the exchange of all of their Series A Preferred as described in the Exchange Offer Notice or become contractually obligated to do so, then the shares of Series A Preferred issued and outstanding immediately prior to the completion of the exchange with the Tendering Holders as described in the Exchange Offer Notice (the date of such completion being the "EXCHANGE DATE") that are not held by Tendering Holders (such shares being the "NON-TENDERED SHARES") shall, without further notice to any holder of Series A Preferred, be redeemed as of the Exchange Date (in the case of an exchange offer by a person or entity other than the corporation, provided that such person or entity deposits with the corporation within ten days following the Exchange Date the aggregate Exchange Consideration for all Non-Tendered Shares so redeemed). The rate of redemption for each Non-Tendered Share shall be the Exchange Consideration (the "MANDATORY REDEMPTION PRICE"). Notwithstanding the foregoing, in the event that the holders of two-thirds or more in interest of the Series A Preferred issued and outstanding as of the date of the Exchange Offer Notice, within the thirty-day period referred to above, accept such exchange offer and become contractually obligated to complete the exchange of their Series A Preferred as described in the Exchange Offer Notice, but less than two-thirds of the Series A Preferred is actually exchanged as described in the Exchange Offer Notice within ninety (90) days following the termination of such thirty-day period, then the Series A Preferred otherwise redeemed pursuant to this Section 5(c) shall be automatically reinstated for all purposes of this paragraph (D) as if the redemption described herein had not occurred.

(d) Manner of Redemption. Notice of redemption of outstanding shares of Series A Preferred pursuant to Sections 5(a) and 5(b) shall be sent by or on behalf of the corporation to the holders of record of outstanding shares of Series A Preferred selected for redemption in the manner provided in Section 5(h) hereof. If, as a result of a redemption, a holder would be left with fractions of a share of Series A Preferred ("FRACTIONAL SHARES"), the corporation shall redeem the number of

shares of such holder that it otherwise would redeem rounded up or down, in the corporation's sole discretion, to the nearest whole number.

(e) Restrictions on Redemptions. No shares of Series A Preferred shall be redeemed in whole or part under Sections 5(a) or 5(b) or 5(c) hereof: (i) at any time that such redemption is prohibited by the DGCL; (ii) at any time that the terms and provisions of any contract or other agreement of the corporation or any of its subsidiaries entered into or assumed providing financing (including acquisition financing) or working capital to the corporation or any of its subsidiaries (whether or not entered into prior to, at or after the issuance of the Series A Preferred), specifically prohibits such redemption or provides that such redemption would constitute a breach thereof or a default thereunder; (iii) unless, prior to or concurrently with such redemption, all unpaid and accrued dividends on Series A Preferred and on Senior Securities for dividend periods preceding or ending on the redemption date have been paid in full or have been declared and set aside for payment in full; or (iv) at any time that the corporation shall be in default in respect of any of its redemption obligations on or under Senior Securities.

(f) Priority As To Junior Securities. If and for so long as the corporation fails to discharge its obligation to redeem any outstanding shares of Series A Preferred required to be redeemed pursuant to Section 5(b) or 5(c) hereof (a "MANDATORY REDEMPTION OBLIGATION"), (i) the corporation shall take all reasonable efforts to remove any impediments to its ability to redeem the Series A Preferred, and the Mandatory Redemption Obligation shall be discharged as soon as the corporation is able to discharge such Mandatory Redemption Obligation, and (ii) the corporation shall not (x) declare, pay or set apart for payment any dividend on, or make any distribution in respect of, the Junior Securities or any warrants, rights, calls or options exercisable or convertible into any of the Junior Securities, either directly or indirectly, whether in cash, obligations or shares of the corporation or other property (other than distributions or dividends of a particular class or series of Junior Securities, or warrants, rights or options exercisable for such Junior Securities, to holders of such Junior Securities), or (y) make any payment on account of, or set apart for payment money for a sinking or other similar fund for, the purchase, redemption, retirement or other acquisition for value of any of, or redeem, purchase, retire or otherwise acquire for value any of, the Junior Securities (other than as a result of a reclassification of Junior Securities or the exchange or conversion of one class or series of Junior Securities for or into another class or series of Junior Securities) or any warrants, rights, calls or options exercisable for or convertible into any of the Junior Securities, or (z) permit any corporation or other entity directly or indirectly controlled by the corporation to purchase, redeem, retire or otherwise acquire for value any of the Junior Securities or any warrants, rights, calls or options exercisable for or convertible into any of the Junior Securities; provided, however, that this restriction shall not apply to the repurchase of shares of Common Stock held by employees or consultants of the corporation or any of its subsidiaries (or their permitted transferees) that are subject to restrictive stock purchase agreements or similar contractual provisions under which the corporation has the option or obligation to repurchase such shares upon the occurrence of certain events, such as termination of employment.

(g) Selection Of Shares For Redemption. In the event that fewer than all of the outstanding shares of Series A Preferred are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors at its sole option (except in the case of a redemption under Section 5(b) or Section 5(c)) and the shares to be redeemed shall be selected by lot or pro rata as may be determined by the Board of Directors except that (i) in any redemption of fewer than all of the outstanding shares of Series A Preferred, the corporation may redeem all shares held by any holders of a number of shares of Series A Preferred, not to exceed 100, as may be specified by the corporation and (ii) to the extent practicable, redemptions shall be made ratably among the holders of outstanding shares of Series A Preferred in proportion to the number of shares of Series A Preferred held by each such holder.

(h) Notice. If the corporation redeems shares of Series A Preferred (except for a redemption pursuant to Section 5(c)), notice of every redemption of shares of Series A Preferred shall be mailed by first class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date addressed to the holders of record of the shares to be redeemed at their respective last addresses as they shall appear on the books of the corporation; provided, however, that the failure to give such notice or any defect therein or in the mailing thereof shall not affect the validity of the redemption of any shares so to be redeemed except as to the holder to whom the corporation has failed to give such notice or except as to the holder to whom such notice was defective. Each such notice shall state: (i) the redemption date; (ii) that shares of Series A Preferred are to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date. Any notice given by a predecessor corporation of the corporation with respect to the Exchanged Preferred in exchange for which the Series A Preferred is issued by the corporation shall be deemed to be notice given by the corporation.

(i) Effect Of Redemption. If notice of redemption is duly mailed as aforesaid or automatic redemption pursuant to Section 5(c) is effective and all funds or property necessary for such redemption shall have been set aside by the corporation, separate and apart from its other funds (whether by deposit with a bank or trust company or otherwise), in trust for the pro rata benefit of the holders of the shares so called for or subject to redemption, so as to be and to continue to be available therefor, then, notwithstanding that any certificate for shares so called for or subject to redemption shall not have been surrendered for cancellation, from and after the redemption date, dividends on the shares of Series A Preferred so called for or subject to redemption shall cease to accrue, said shares shall no longer be deemed to be outstanding or have the status of shares of Series A Preferred, such shares shall no longer be transferable on the books of the corporation and all rights of the holders thereof as stockholders of the corporation shall cease except for the right to receive from the corporation or exchange agent or other agent selected by the corporation the Optional Redemption Price or Mandatory Redemption Price, as the case may be (the "REDEMPTION PRICE"). Upon surrender of the certificates for any shares so redeemed

(properly endorsed or assigned for transfer, if the Board of Directors of the corporation shall so require), such shares shall be redeemed by the corporation at the Redemption Price aforesaid. In case fewer than all of the shares represented by any such certificates are redeemed, a new certificate or certificates shall be issued representing the unredeemed shares without cost to the holder thereof. Any funds deposited with a bank or trust company and unclaimed at the end of a period (not less than six months) specified by the corporation's Board of Directors following the date fixed for redemption shall be repaid to the corporation upon its request, after which repayment the holders of shares called for redemption shall look only to the corporation for payment of the Redemption Price.

6. Voting Rights. Except as specifically set forth in the DGCL or provided in the balance of this Section 6, the holders of shares of Series A Preferred shall not be entitled to any voting rights with respect to any matters voted upon by stockholders. So long as any shares of Series A Preferred shall be outstanding and unless the consent or approval of a greater number of shares shall then be required by law, without first obtaining the approval of the holders of at least a majority of the number of shares of the Series A Preferred at the time outstanding, given in person or by proxy either by written consent or at a meeting at which the holders of such shares shall be entitled to vote separately as a class, the corporation shall not (i) amend, alter or repeal any of the provisions of the Certificate of Incorporation or By-Laws of the corporation or of any certificate amendatory thereof or supplemental thereto so as to affect adversely any of the preferences, rights, powers or privileges of the Series A Preferred or the holders thereof as such; or (ii) authorize, effect or validate the merger or consolidation of the corporation into or with any other corporation if such merger or consolidation would adversely affect the powers, preferences or rights of the Series A Preferred or the holders thereof as such; provided, however, that if any of the foregoing actions would result in (a) a reduction in the rate of or change the time for payment of dividends on the Series A Preferred, (b) reduce the Liquidation Preference, (c) change the redemption or exchange provisions so as to affect adversely any of the preferences, rights, powers or privileges of the Series A Preferred or the holders thereof as such, or (d) modify this Section 6 in any manner, the approval of the holders of at least seventy five percent (75%) of the number of shares of Series A Preferred at the time outstanding shall be obtained.

7. Retirement of Shares. Any shares of Series A Preferred redeemed, repurchased or otherwise acquired by the corporation shall be retired and returned to the status of authorized and unissued Preferred Stock, undesignated as to series, subject to reissuance by the corporation as shares of Preferred Stock of one or more series, as may be determined from time to time by the Board of Directors.

8. Definitions.

(a) As used herein with respect to Series A Preferred, "ACCRUED DIVIDENDS" and "ACCUMULATED DIVIDENDS" shall mean an amount computed at the annual dividend rate from the date on which dividends on such share became

cumulative to and including the date to which such dividends are to be accrued, less the aggregate amount of all dividends theretofore paid thereon.

(b) "AFFILIATE" of any specified person shall mean any other person directly or indirectly controlling or controlled by or under common control with such specified person. For purpose of this definition, "CONTROL," when used with respect to any specified person, means the ownership, directly or indirectly, of voting securities representing more than 50% of the total voting power entitled to vote in the election of directors, managers or trustees of such person; and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

9. Section Headings. Section headings are for convenience of reference only and shall not constitute a part of this paragraph (D) or be referred to in connection with the interpretation or construction hereof.

FIFTH: The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors, and the directors need not be elected by ballot unless required by the bylaws of the corporation.

SIXTH: In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to make, amend and repeal the bylaws of the corporation.

SEVENTH: A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Any repeal or modification of this provision shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

EIGHTH: (A) Right to Indemnification. Each person who was or is made a party to or is threatened to be made a party to or is involuntarily involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "PROCEEDING"), by reason of the fact that he or she is or was a director or officer of the corporation, or is or was serving (during his or her tenure as director and/or officer) at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, whether the basis of such Proceeding is an alleged action or inaction in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the DGCL (or other applicable law), as the same exists or

may hereafter be amended, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection with such Proceeding. Such director or officer shall have the right to be paid by the corporation for expenses incurred in defending any such Proceeding in advance of its final disposition; provided, however, that, if the DGCL (or other applicable law) requires, the payment of such expenses in advance of the final disposition of any such Proceeding shall be made only upon receipt by the corporation of an undertaking by or on behalf of such director or officer to repay all amounts so advanced if it should be determined ultimately that he or she is not entitled to be indemnified under this Article EIGHTH or otherwise.

(B) Right of Claimant to Bring Suit. If a claim under paragraph (A) of this Article EIGHTH is not paid in full by the corporation within ninety (90) days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim, together with interest thereon, and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim, including reasonable attorneys' fees incurred in connection therewith. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL (or other applicable law) for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (or of its full Board of Directors, its directors who are not parties to the Proceeding with respect to which indemnification is claimed, its stockholders, or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL (or other applicable law), nor an actual determination by any such person or persons that such claimant has not met such applicable standard of conduct, shall be a defense to such action or create a presumption that the claimant has not met the applicable standard of conduct.

(C) Non-Exclusivity of Rights. The rights conferred by this Article EIGHTH shall not be exclusive of any other right which any director, officer, representative, employee or other agent may have or hereafter acquire under the DGCL or any other statute, or any provision contained in the corporation's Certificate of Incorporation or bylaws, or any agreement, or pursuant to a vote of stockholders or disinterested directors, or otherwise.

(D) Insurance and Trust Fund. In furtherance and not in limitation of the powers conferred by statute:

1. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or

is serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of law; and

2. The corporation may create a trust fund, grant a security interest and/or use other means (including, without limitation, letters of credit, surety bonds and/or other similar arrangements), as well as enter into contracts providing indemnification to the fullest extent permitted by law and including as part thereof provisions with respect to any or all of the foregoing, to ensure the payment of such amount as may become necessary to effect indemnification as provided therein, or elsewhere.

(E) Indemnification of Employees and Agents of the Corporation. The corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, including the right to be paid by the corporation the expenses incurred in defending any Proceeding in advance of its final disposition, to any employee or agent of the corporation to the fullest extent of the provisions of this Article EIGHTH or otherwise with respect to the indemnification and advancement of expenses of directors and officers of the corporation.

(F) Amendment. This Article EIGHTH is also contained in Article VIII, Sections 2 through 7, of the corporation's Bylaws. Any repeal or modification of this Article EIGHTH shall not change the rights of any officer or director to indemnification with respect to any action or omission occurring prior to such repeal or modification.

NINTH: The number of directors of the corporation shall be five (5).

TENTH: (A) The approval of the following actions shall require a vote of at least eighty percent (80%) of the authorized number of directors of the corporation (which such number of authorized directors shall include such number of directors as may at that time be entitled to be elected by holders of any series of Preferred Stock of the corporation):

1. A sale, assignment, lease, transfer, conveyance or other disposition involving all or substantially all of the assets or capital stock of the corporation or any of its subsidiaries; a merger, consolidation or other business combination, or a transaction in which all stockholders of the corporation are not treated equally;

2. Adoption of a plan of dissolution or liquidation of the corporation or any of its subsidiaries;

3. Any increase in the compensation to the person acting as chief executive officer or president of the corporation, or any affiliates of either of such officers, except any increase in compensation in the ordinary course of business not

materially different from past practices (including the practices of any predecessor by merger);

4. The issuance of any shares of capital stock, or any options, warrants or rights (including convertible or exchangeable securities) to acquire shares of capital stock of the corporation, except shares of capital stock issued for cash in connection with the exercise of compensatory employee options issued by the corporation in the ordinary course of business not materially different from past practices of the corporation (including the practices of any predecessor by merger);

5. The corporation entering into, or permitting any subsidiary to enter into, any arrangement or contract with any person which, together with its affiliates, beneficially owns or has any options, warrants or rights (including convertible or exchangeable securities) to acquire, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of stock of the corporation or with any affiliate of such person, except for any arrangement or contract that exists as of the date of this Restated Certificate of Incorporation and any extensions and non-material modifications and amendments thereof;

6. The (a) redemption, retirement, purchase or other acquisition for value of any shares of the corporation, (b) assignment to any person of the corporation's right to purchase or acquire shares of the corporation pursuant to Article ELEVENTH, or (c) making of any determination with respect to any shares of the corporation pursuant to Article ELEVENTH, other than the redemption or repurchase of Common Stock in the ordinary course of business (i) constituting (in a transaction or series of related transactions) less than one (1) percent of the outstanding Common Stock of the corporation on the date or dates of purchase pursuant (x) to Article ELEVENTH or (y) to a contractual obligation to the holder of any such security, or (ii) in amounts that are not material pursuant to any management stock purchase agreement consistent with past practices (including the practices of any predecessor by merger);

7. The determination to have the corporation or any of its subsidiaries enter into any lines of business other than retail merchandising of sporting goods and other business activities ancillary thereto;

8. The transfer, disposition or issuance of any shares of capital stock, or any options, warrants or rights (including convertible or exchangeable securities) to acquire shares of capital stock, of or by any subsidiary of the corporation, or by any other person that is a wholly-owned subsidiary of such subsidiary, other than issuances by such a wholly-owned subsidiary to its immediate parent; and

9. Any amendment of the Certificate of Incorporation or bylaws of the corporation that would alter or affect in any way the foregoing supermajority director voting requirements.

(B) This Article TENTH which sets forth the supermajority director voting requirements may be amended only by the vote or written consent of the holders

of at least sixty-six and two thirds (66-2/3%) of the outstanding stock of the corporation entitled to vote.

ELEVENTH: (A) No stockholder may transfer (other than in a public offering pursuant to an effective registration statement under the Securities Act of 1933) any Common Stock (or any interest therein) except in accordance with the following: If such stockholder shall have received a bona fide arms' length written offer (a "BONA FIDE OFFER") which such stockholder desires to accept from an independent party unrelated to such stockholder (the "OUTSIDE PARTY") for the purchase of such Common Stock, such stockholder shall give a notice in writing (the "OPTION NOTICE") to the corporation stating such stockholder's desire to sell Common Stock, which notice shall set forth at least the name and address of the Outside Party and the price and terms of the Bona Fide Offer and be accompanied by a copy of the Bona Fide Offer. Upon the giving of such Option Notice, the corporation shall have an option (transferable, in the sole discretion of the Board of Directors of the corporation, to a person or persons selected by the corporation (the "ASSIGNEE")) to purchase all of the Common Stock specified in the Option Notice, said option to be exercised within the later of thirty (30) business days after the giving of such Option Notice or fifteen (15) days after the determination of the fair market value (as defined below) of the consideration offered by the Outside Party, if applicable, by giving a counter-notice to such stockholder. If the corporation (or the Assignee) elects to purchase all of such Common Stock, it shall be obligated to purchase, and such stockholder shall be obligated to sell, such Common Stock at the price and terms indicated in the Bona Fide Offer, except that (i) the closing of the purchase by the corporation (or the Assignee, if applicable) shall be held on the forty-fifth (45th) business day after the giving of the Option Notice (or if such day is not a business day, on the next following business day) at 10:30 a.m., Los Angeles time, at the principal executive office of the corporation, or at such other time and place as may be mutually agreed to by the corporation (or the Assignee) and such stockholder, and (ii) if the consideration offered by the Outside Party in the Bona Fide Offer consists of property other than cash, then the corporation (or the Assignee, if applicable) shall pay for the Common Stock in cash in an amount equal to the fair market value of such consideration.

1. For purposes of this Article ELEVENTH, "FAIR MARKET VALUE" means the amount determined by the Board of Directors of the corporation. Upon delivery of notice of such fair market value to the stockholder (and to the Assignee, if applicable), such stockholder (and the Assignee, if applicable) each shall have ten (10) business days in which to notify the corporation in writing of any disagreement. If written notice is given of a disagreement, the corporation (or the Assignee, if applicable) and such stockholder shall mutually agree upon an independent appraiser experienced in making valuations of such sort which shall make a determination of the fair market value. Such determination shall be final, binding and non-appealable upon the corporation (and the Assignee, if applicable) and such stockholder. The corporation (and the Assignee, if applicable) and the stockholder shall share the cost and expenses incurred in connection with the determination made by the independent appraiser. If the corporation (or the Assignee, if applicable) does not elect to purchase all of such Common Stock as aforesaid, such stockholder thereafter, at any time within a period of

three (3) months from the giving of said Option Notice, may transfer all (but not less than all) of such Common Stock to the Outside Party at the price and terms contained in the Bona Fide Offer, and the Common Stock transferred to the Outside Party shall thereafter be subject to and bound by all of the restrictions contained in this Article ELEVENTH; provided, however, that in the event such stockholder has not so transferred said Common Stock to the Outside Party at the price and terms contained in the Option Notice within said three (3)-month period, then the rights of the stockholder to transfer such Common Stock pursuant to the Option Notice shall terminate and be of no further effect at the end of such three (3)-month period and the Common Stock of such stockholder shall continue to be subject to and bound by all of the restrictions contained in this Article ELEVENTH.

2. Notwithstanding anything to the contrary contained in this Article ELEVENTH, any stockholder may transfer such stockholder's Common Stock without complying with the procedures set forth in paragraph (A) of this Article ELEVENTH to his Related Transferees (as defined below) provided that the Common Stock so transferred to each such Related Transferee shall continue to be subject to and bound by all of the restrictions contained in this Article ELEVENTH. The "RELATED TRANSFEREES" of the stockholder shall consist of (a) for individuals, such stockholder's spouse, such stockholder's adult lineal descendants, the adult spouses of his lineal descendants, trusts solely for the benefit of such stockholder's spouse or such stockholder's minor or adult lineal descendants, and in the event of death, his personal representatives (in their capacities as such), estate and named beneficiaries, (b) for corporations, partnerships, or limited liability companies, to another entity that directly or indirectly controls, is controlled by, or is under common control with, such stockholder (provided that such control was not obtained for the purposes of circumventing the provisions of this Article ELEVENTH) or (c) for partnerships, limited liability companies, trusts, nominee arrangements, and other pass-through entities and arrangements for income tax purposes (a "PASS-THROUGH ENTITY"), to the persons who reported the income, gain or loss in respect of such Common Stock held by the Pass-through Entity (or would have reported such items had there been any) in the prior tax year or their successors in interest. In the event of any transfer by the stockholder to his Related Transferees of all or any part of such stockholder's Common Stock (or in the event of any subsequent transfer by any such Related Transferee to another Related Transferee of such stockholder), such Related Transferees shall receive and hold said Common Stock, and said Common Stock shall be, subject to and bound by all of the restrictions contained in this Article ELEVENTH. There shall be no further transfer of such Common Stock by a Related Transferee except between and among such Related Transferee, the stockholder to whom such Related Transferee is related and the other Related Transferees of such stockholder, or except as otherwise permitted by this Article ELEVENTH.

3. Nothing in this Certificate of Incorporation shall be construed as limiting or vitiating any more restrictive transfer restrictions as may be agreed upon by any particular stockholder and the corporation with respect to the shares of Common Stock owned by any such stockholder.

(B) The restrictions upon transfer set forth in this Article ELEVENTH shall lapse and be of no further effect with respect to shares of the Common Stock of the corporation upon the earlier to occur of: (i) December 1, 2000; (ii) the completion of the first underwritten, registered public offering of Common Stock by the corporation for its account; (iii) the consummation of the sale of substantially all of the assets or capital stock of the corporation; or (iv) the Common Stock of the corporation being listed or admitted to trading on a national securities exchange or quoted on The Nasdaq Stock Market, Inc.'s National Market or SmallCap systems.

(C) In the event any capital stock of the corporation or any other corporation shall be distributed on, with respect to, or in exchange for shares of Common Stock of the corporation as a stock dividend, stock split, reclassification or recapitalization or in connection with any merger or reorganization, the restrictions set forth in this Article ELEVENTH shall apply with respect to such other capital stock to the same extent as they are, or would have been applicable, to the Common Stock on or with respect to which such other capital stock was distributed.

TWELFTH: The corporation reserves the right to amend and repeal any provision contained in this Certificate of Incorporation in the manner from time to time prescribed by the laws of the State of Delaware and all rights herein conferred upon stockholders are granted subject to this reservation.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation which restates and integrates and further amends the provisions of the Certificate of Incorporation of the corporation, and which has been duly adopted in accordance with Sections 242 and 245 of the Delaware General Corporation Law, has been executed by its duly authorized officer this 8th day of November, 1997.

BIG 5 HOLDINGS CORP.

By: /s/ Charles P. Kirk

Charles P. Kirk,
Senior Vice President

BIG 5 HOLDINGS CORP.

CERTIFICATE OF DESIGNATIONS OF THE POWERS, PREFERENCES AND

OTHER SPECIAL RIGHTS OF SERIES A 13.45% SENIOR EXCHANGEABLE PREFERRED STOCK, AND QUALIFICATIONS, LIMITATIONS AND RESTRICTIONS THEREOF

PURSUANT TO SECTION 151 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

Big 5 Holdings Corp. (the "Company"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that, pursuant to authority conferred upon the board of directors of the Company (the "Board of Directors") by its Restated Certificate of Incorporation (the "Certificate of Incorporation"), and pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors, by unanimous written consent dated November 12, 1997, duly approved and adopted the following resolution (the "Resolution"):

RESOLVED, that, pursuant to the authority vested in the Board of Directors by its Certificate of Incorporation, the Board of Directors does hereby create, authorize and provide for the issue of the following series of Preferred Stock: Series A 13.45% Senior Exchangeable Preferred Stock (the "Series A Preferred Stock"), par value $0.01 per share, with a liquidation preference of $100.00 per share as of the date of issue, consisting of 350,000 shares; which series of preferred stock shall have the designations, preferences, relative, participating, optional and other special rights and the qualifications, limitations and restrictions thereof that are set forth in the Certificate of Incorporation and in this Resolution as follows:

1. DESIGNATION OF THE COMPANY'S SERIES A 13.45% SENIOR EXCHANGEABLE PREFERRED STOCK

(a) Designation.

There is hereby created out of the authorized and unissued shares of preferred stock of the Company a series of preferred stock designated as the "Series A 13.45% Senior Exchangeable Preferred Stock". The number of shares constituting such series shall be 350,000 shares of Series A Preferred Stock, consisting of an initial issuance of 350,000 shares of Series A Preferred Stock. The liquidation preference of the Series A Preferred Stock shall be $100.00 per share as of the date of issue.

(b) Rank.

The Series A Preferred Stock shall, with respect to dividend distributions and distributions upon the liquidation, winding up and dissolution of the Company, rank senior to all classes of common stock, $0.01 par value, of the Company (the "Common Stock"), and to each other class of capital stock or series of preferred stock hereafter created by the Board of Directors the terms of which do not expressly provide that it ranks senior to or on a parity with the Series A Preferred Stock as to dividend distributions and distributions upon the liquidation, winding up and dissolution of the Company (collectively referred to with the Common Stock as "Junior Securities"). The Series A Preferred Stock shall, with respect to dividend distributions and distributions upon the liquidation, winding up and dissolution of the Company, rank on a parity with any class of capital stock or series of preferred stock hereafter created which has been approved by the Holders of Series A Preferred Stock in accordance with paragraph (f)(ii)(A) hereof and which expressly provides that it ranks on a parity with the Series A Preferred Stock as to dividend distributions and distributions upon the liquidation, winding up and dissolution of the Company ("Parity Securities"). The Series A Preferred Stock shall, with respect to dividend distributions and distributions upon the liquidation, winding up and dissolution of the Company, rank junior to each class of capital stock or series of preferred stock hereafter created which has been approved by the Holders of Series A Preferred Stock in accordance with paragraph (f)(ii)(B) hereof and which expressly provides that it ranks senior to the Series A Preferred Stock as to dividend distributions or distributions upon the liquidation, winding up and dissolution of the Company ("Senior Securities").

(c) Dividends.

(i) Beginning on the date of issuance of shares of the Series A Preferred Stock, Holders of the outstanding shares of Series A Preferred Stock shall be entitled to receive dividends on each share of Series A Preferred Stock, at a rate per annum equal to thirteen and forty-five one hundredths percent (13.45%) of the liquidation preference (as Stock, the Holders of the outstanding shares of Series A Preferred Stock shall be entitled to adjusted from time to time as hereinafter provided) per share of the Series A Preferred Stock, payable semiannually. All dividends shall be cumulative, whether or not earned or declared, on a daily basis from the Preferred Stock Issue Date and shall be payable semiannually in arrears on each Dividend Payment Date, commencing on the first Dividend Payment Date after the date of issuance of the Series A Preferred Stock, provided that with respect to any dividend payable on any Dividend Payment Date on or before December 15, 2004, the amount payable as dividends on such Dividend Payment Date may, at the option of the Company, be paid in cash or by increasing the then liquidation preference per share of the Series A Preferred Stock by the amount of such dividends (rounded to the nearest whole cent). Such increase in the liquidation preference shall constitute full payment of such dividend. In the event the Board of Directors does not declare and the Company does not pay, a cash dividend on the shares of the Series A Preferred Stock on any Dividend Payment Date on or before December 15, 2004, the Company shall be deemed to have satisfied such dividends on the Series A Preferred Stock by increase in the liquidation preference. Dividends payable on any

Dividend Payment Date after December 15, 2004 shall be paid only in cash. With respect to any cash dividend payable on any Dividend Payment Date after December 15, 2004 which is not paid in cash on the Dividend Payment Date, the amount so payable in cash on such Dividend Payment Date shall conditionally increase the then liquidation preference per share of the Series A Preferred Stock by the amount of such unpaid cash dividends (rounded to the nearest whole cent) on the Dividend Payment Date. Such conditional increase in the liquidation preference shall not constitute a payment of such dividend, but all subsequent cash dividends, all distributions upon the liquidation, winding up and dissolution of the Company, all payments in redemption and any other amounts referred to herein that are determined by reference to the liquidation preference shall be calculated with reference to the amount of the liquidation preference as conditionally increased, reduced from time to time by the amount of the cumulative unpaid cash dividends that are subsequently paid in cash to the Holders of the Series A Preferred Stock, until such time as the cumulative unpaid cash dividends are paid in full or the Series A Preferred Stock is redeemed. Each distribution in the form of a dividend in cash shall be payable to the Holders of Series A Preferred Stock of record as they appear on the stock books of the Company on such record dates, not less than 10 nor more than 45 days preceding the related Dividend Payment Date, as shall be fixed by the Board of Directors or, in the event no record date is fixed by the Board of Directors, to the Holders of record of the Series A Preferred Stock on the Dividend Payment Date. Any increase in the then liquidation preference of the Series A Preferred Stock as set forth in this paragraph (c) shall occur automatically, without the need for any action on the part of the Company, on the applicable Dividend Payment Date. Dividends shall cease to accumulate in respect of shares of the Series A Preferred Stock on the Exchange Date or on the date of their earlier redemption unless the Company shall have failed to issue the appropriate aggregate principal amount of Exchange Notes (as defined in paragraph (g)(i)(A) hereof) in respect of the Series A Preferred Stock on the Exchange Date or shall have failed to pay, or irrevocably set apart in trust for payment, the relevant redemption price on the date fixed for redemption. Not more than 30 days after a Dividend Payment Date, written notice of the amount of the dividend per share paid, or in the event of a failure of the Board of Directors to declare and the Company to pay a cash dividend on or prior to December 15, 2004, the resulting increase in the liquidation preference of each share, or in the event of a failure of the Board of Directors to declare and the Company to pay a cash dividend after December 15, 2004, the resulting conditional increase in the liquidation preference, and in any case the resulting liquidation preference (permanent and conditional) of each share of Series A Preferred Stock (the "Liquidation Preference Notice") shall be given by first-class mail, postage prepaid, to each Holder of Series A Preferred Stock of record, on the record date fixed by the Board of Directors for payment of such dividend or, if no record date was fixed, the Dividend Payment Date, of the Series A Preferred Stock at such Holder's address as the same appears on the stock register of the Company, provided that no failure to give such notice nor any deficiency therein shall affect any increase or conditional increase in the liquidation preference of each share of Series A Preferred Stock.

(ii) All dividends paid with respect to shares of the Series A Preferred Stock pursuant to paragraph (c)(i) shall be paid pro rata to the Holders thereof entitled thereto.

(iii) Nothing herein contained shall in any way or under any circumstances be construed or deemed to require the Board of Directors to declare, or the Company to pay or set apart for payment, in cash any dividends on shares of the Series A Preferred Stock at any time.

(iv) Dividends on account of arrears for any past Dividend Period and dividends in connection with any optional redemption pursuant to paragraph (e)(i) may be declared and paid at any time, without reference to any regular Dividend Payment Date, to Holders of Series A Preferred Stock of record on such date, not more than 45 days prior to the payment thereof, as may be fixed by the Board of Directors, provided that a Liquidation Preference Notice (setting forth the decrease in the conditional amount of the liquidation preference as a result of such dividend payment) shall be given by first-class mail, postage prepaid, to each Holder of Series A Preferred Stock of record, on the record date fixed by the Board of Directors for payment of such dividend on the Series A Preferred Stock at such Holder's address as the same appears on the stock register of the Company, provided, further, that no failure to give such notice nor any deficiency therein shall affect the decrease in the conditional amount of the liquidation preference of each share of Series A Preferred Stock on account of the payment in cash of the dividends in arrears.

(v) No full dividends shall be declared by the Board of Directors or paid or funds set apart in trust for payment of dividends by the Company on any Parity Securities for any period unless full cumulative dividends shall have been or contemporaneously are declared and paid in full, or declared and (in the case of dividends payable in cash) a sum in cash set apart irrevocably in trust sufficient for such payment, on the Series A Preferred Stock for all Dividend Periods terminating on or prior to the date of payment of such full dividends on such Parity Securities. If any dividends are not paid in full, as aforesaid, upon the shares of the Series A Preferred Stock and any other Parity Securities, all dividends declared upon shares of the Series A Preferred Stock and any other Parity Securities shall be declared pro rata based on the then relative liquidation preferences (permanent and conditional as then in effect) of the Series A Preferred Stock and such Parity Securities. So long as any shares of the Series A Preferred Stock are outstanding, the Company shall not make any payment on account of, or set apart for payment, money for a sinking or other similar fund for, the purchase, redemption or other retirement of, any of the Parity Securities or any warrants, rights, calls or options exercisable for or convertible into any of the Parity Securities, and shall not permit any corporation or other entity directly or indirectly controlled by the Company to purchase or redeem any of the Parity Securities or any such warrants, rights, calls or options unless full dividends determined in accordance herewith on the Series A Preferred Stock shall have been paid or contemporaneously are declared and paid in full (or a sum sufficient to pay such dividends is irrevocably set apart in trust for payment).

(vi) (A) Except as permitted by paragraph subclause (B) hereof, Holders of shares of the Series A Preferred Stock shall be entitled to receive the dividends provided for in paragraph (c)(i) hereof in preference to and in priority over any dividends upon any of the Junior Securities.

(B) So long as any shares of Series A Preferred Stock are outstanding, the Company shall not, and shall not permit any of the Company's Subsidiaries to, (1) declare, pay or set apart for payment any dividend on any of the Junior Securities or on any equity interests of the Subsidiaries (other than dividends or distributions in Junior Securities or to the Company or to another Wholly Owned Subsidiary) or make any payment on account of, or set apart for payment money for a sinking or other similar fund for, the purchase, redemption or other retirement of, any of the Junior Securities or any warrants, rights, calls or options exercisable for or convertible into any of the Junior Securities (other than the repurchase, redemption or other acquisition or retirement for value of Junior Securities (and any warrants, rights, calls or options exercisable for or convertible into such Junior Securities) either pursuant to agreements entered into on or prior to the Preferred Stock Issue Date or held by employees of or consultants or advisors to the Company or any of its Subsidiaries, which repurchase, redemption or other acquisition or retirement shall have been approved by a majority of the Board of Directors or shall be made pursuant to the repurchase provisions under employee stock option, stock purchase or stock subscription agreements or other agreements to compensate employees, consultants or advisors and which such repurchases, redemptions or other acquisitions or retirements for value would otherwise be permitted by the documents governing the Company's indebtedness from time to time), or (2) make any distribution in respect thereof, either directly or indirectly, and whether in cash, obligations or shares of the Company or other property (other than distributions or dividends in Junior Securities to the holders of Junior Securities), or (3) permit any corporation or other entity directly or indirectly controlled by the Company to purchase or redeem any of the Junior Securities or any such warrants, rights, calls or options, unless in either case full cumulative dividends determined in accordance herewith have been paid in full in cash (if so required at that time) on the Senior Preferred Stock, including the payment of any accumulated and unpaid dividends as to which a conditional increase of the liquidation preference of the Series A Preferred Stock has been made.

(vii) Dividends payable on shares of the Series A Preferred Stock for any period less than a year shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in the period for which payable. If any Dividend Payment Date occurs on a day that is not a Business Day, any accrued dividends otherwise payable on such Dividend Payment Date shall be paid on the next succeeding Business Day.

(d) Liquidation Preference.

(i) Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the Holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid, out of the assets of the Company available for distribution to its stockholders, $100.00 per share of Series A Preferred Stock, plus an amount in cash equal to the sum of (x) the amounts, if any, added (permanently and

conditionally as then in effect) to the liquidation preference pursuant to paragraph (c)(i) and (y) the accumulated and unpaid dividends thereon to the date fixed for liquidation, dissolution or winding up (including an amount equal to a prorated dividend for the period from the last Dividend Payment Date to the date fixed for liquidation, dissolution or winding up), before any payment shall be made or any assets distributed to the holders of any of the Junior Securities, including, without limitation, Common Stock of the Company. Except as provided in the preceding sentence, Holders of shares of Series A Preferred Stock shall not be entitled to any distribution in the event of liquidation, dissolution or winding up of the affairs of the Company. If the assets of the Company are not sufficient to pay in full the liquidation payments payable to the Holders of outstanding shares of the Series A Preferred Stock and all Parity Securities, then the holders of all such shares shall share equally and ratably in such distribution of assets of the Company in accordance with the amounts which would be payable on such distribution if the amount to which the Holders of outstanding shares of Series A Preferred Stock and the holders of outstanding shares of all Parity Securities are entitled were paid in full.

(ii) For the purposes of this paragraph (d), neither the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Company nor the consolidation or merger of the Company with or into one or more corporations or other entities shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Company (unless such sale, conveyance, exchange or transfer is in connection with a dissolution or winding up of the business of the Company).

(e) Redemption.

(i) Optional Redemption.

(A) The Company may (subject to contractual and other restrictions with respect thereto and the legal availability of funds therefor), at the option of the Company, redeem at any time on or after November 13, 2002, from any source of funds legally available therefor, in whole or in part, in the manner provided in paragraph (e)(iii) hereof, any or all of the shares of the Series A Preferred Stock, at the redemption prices (expressed as a percentage of the then liquidation preference (both permanent and conditional as then in effect) thereof) set forth below plus, without duplication, an amount in cash equal to all accumulated and unpaid dividends per share (including an amount in cash equal to a prorated dividend for the period from the Dividend Payment Date immediately prior to the Redemption Date to the Redemption Date) (the "Optional

Redemption Price"), if redeemed during the 12-month period beginning on November 13 of each of the years indicated below:

Year	Percentage
2002	106.725%
2003	105.380%
2004	104.035%
2005	102.690%
2006	101.345%
2007 and thereafter	100.000%;

provided that no optional redemption pursuant to this paragraph (e)(i)(A) shall be authorized or made at less than 101% of the then liquidation preference (both permanent and conditional as then in effect) of the Series A Preferred Stock at any time when the Company is making or purchasing shares of Series A Preferred Stock under a Change of Control Offer in accordance with the provisions of paragraph (h)(i) hereof.

(B) In addition, on or prior to November 13, 2002, the Company may, at its option, on one or more occasions redeem, in the manner provided in paragraph (e)(iii) hereof, any or all of the shares of the Series A Preferred Stock then outstanding, at a redemption price equal to 110% of the then liquidation preference (both permanent and conditional as then in effect) thereof, plus, without duplication, an amount in cash equal to all accumulated and unpaid dividends per share (including an amount in cash equal to a prorated dividend for the period from the Dividend Payment Date immediately prior to the Redemption Date to the Redemption Date) (the "Contingent Redemption Price"), with the proceeds of any underwritten public offering of its Common Stock.

(C) In the event of a redemption pursuant to paragraph (e)(i)(A) or (e)(i)(B) hereof of only a portion of the then outstanding shares of the Series A Preferred Stock, the Company shall effect such redemption as it determines, pro rata according to the number of shares held by each Holder of Series A Preferred Stock or by lot, as may be determined by the Company in its sole discretion.

(ii) Mandatory Redemption. On November 13, 2009, the Company shall redeem, subject to contractual and other restrictions thereupon, from any source of funds legally available therefor, in the manner provided in paragraph (e)(iii) hereof, all of the shares of the Series A Preferred Stock then outstanding at a redemption price equal to 100% of the then liquidation preference (both permanent and conditional as then in effect) per share, plus, without duplication, an amount in cash equal to all accumulated and unpaid dividends per share (including an amount equal to a prorated dividend for the period from the Dividend Payment Date immediately prior to the Redemption Date to the Redemption Date) (the "Mandatory Redemption Price").

(iii) Procedures for Redemption.

(A) At least 30 days and not more than 60 days prior to the date fixed for any redemption of the Series A Preferred Stock, written notice (the "Redemption Notice") shall be given by first-class mail, postage prepaid, to each Holder of Series A Preferred Stock of record on the record date fixed for such redemption of the Series A Preferred Stock at such Holder's address as the same appears on the stock register of the Company, provided that no failure to give such notice nor any deficiency therein shall affect the validity of the procedure for the redemption of any shares of Series A Preferred Stock to be redeemed except as to the Holder or Holders to whom the Company has failed to give said notice or except as to the Holder or Holders whose notice was defective. The Redemption Notice shall state: (1) whether the redemption is pursuant to paragraph (e)(i)(A), (e)(i)(B) or (e)(ii) hereof; (2) the Optional Redemption Price, the Contingent Redemption Price or the Mandatory Redemption Price, as the case may be; (3) whether all or less than all the outstanding shares of the Series A Preferred Stock are to be redeemed and the total number of shares of the Series A Preferred Stock being redeemed; (4) the number of shares of Series A Preferred Stock held, as of the appropriate record date, by the Holder that the Company intends to redeem; (5) the date fixed for redemption; (6) that the Holder is to surrender to the Company, at the place or places where certificates for shares of Series A Preferred Stock are to be surrendered for redemption, in the manner and at the price designated, such Holder's certificate or certificates representing the shares of Series A Preferred Stock to be redeemed; and (7) that dividends on the shares of the Series A Preferred Stock to be redeemed shall cease to accrue on such Redemption Date unless the Company defaults in the payment of the Optional Redemption Price, the Contingent Redemption Price or the Mandatory Redemption Price, as the case may be.

(B) Each Holder of Series A Preferred Stock shall surrender the certificate or certificates representing such shares of Series A Preferred Stock to the Company, duly endorsed, in the manner and at the place designated in the Redemption Notice, and on the Redemption Date the full Optional Redemption Price, Contingent Redemption Price or Mandatory Redemption Price, as the case may be, for such shares shall be payable in cash to the Person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired. In the event that less than all of the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(C) If (i) the Redemption Notice is duly mailed as described in subparagraph (iii)(a) and (ii) either (x) a sum in cash is set apart irrevocably in trust sufficient to pay the applicable redemption price on the shares of Series A Preferred Stock called for redemption (whether before or on the Redemption Date) or (y) the Company pays in full the applicable redemption price, then, notwithstanding that any certificate for shares so called for or subject to

redemption shall not have been surrendered for cancellation, (1) dividends on the Series A Preferred Stock called for redemption shall cease to accumulate on the Redemption Date, (2) such shares shall no longer be deemed to be outstanding or have the status of shares of Series A Preferred Stock, (4) such shares shall no longer be transferable on the books of the Company and (5) all rights of the Holders of such redemption shares as stockholders of the Company shall cease, other than the right to receive from the Company or exchange agent or other agent selected by the Company the Optional Redemption Price, the Contingent Redemption Price or the Mandatory Redemption Price, as the case may be, without interest.

(f) Voting Rights.

(i) The Holders of shares of the Series A Preferred Stock, except as otherwise required under the General Corporation Law of the State of Delaware law or as set forth in paragraphs (ii), (iii) and (iv) below, shall not be entitled or permitted to vote on any matter required or permitted to be voted upon by the stockholders of the Company.

(ii) (A) So long as any shares of the Series A Preferred Stock are outstanding, the Company shall not authorize any class of Parity Securities without the affirmative vote or consent of Holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting or consenting, as the case may be, separately as one class, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting, except that without the approval of Holders of Series A Preferred Stock, the Company may issue shares of Parity Securities in exchange for, or the proceeds of which are used to redeem or repurchase, any or all shares of Series A Preferred Stock then outstanding, provided that, in the case of Parity Securities issued in exchange for, or the proceeds of which are used to redeem or repurchase, less than all shares of Series A Preferred Stock then outstanding, the aggregate liquidation preference (both permanent and conditional as then in effect) of such Parity Securities shall not exceed the aggregate liquidation preference (both permanent and conditional as then in effect) of, premium, if any, and accrued and unpaid dividends on, and expenses in connection with the refinancing of, the Series A Preferred Stock so exchanged, redeemed or repurchased.

(B) So long as any shares of the Series A Preferred Stock are outstanding, the Company shall not authorize any class of Senior Securities without the affirmative vote or consent of Holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting or consenting, as the case may be, separately as one class, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting.

(C) So long as any shares of the Series A Preferred Stock are outstanding, the Company shall not amend this Certificate of Designation or its Certificate of Incorporation so as to affect adversely the specified rights,

preferences, privileges or voting rights of Holders of shares of Series A Preferred Stock or to authorize the issuance of any additional shares of Series A Preferred Stock without the affirmative vote or consent of Holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting or consenting, as the case may be, separately as one class, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting. The affirmative vote or consent of Holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting or consenting, as the case may be, separately as one class, whether voting in person or by proxy, either in writing or by resolution adopted at an annual or special meeting, may waive compliance with any provision of this Certificate of Designation or its Certificate of Incorporation.

(D) Prior to the exchange of Series A Preferred Stock for Exchange Notes, the Company may amend or modify the indenture for the Exchange Notes, including, without limitation, in a manner so as to affect adversely the specified rights, preferences and privileges of the Holders of outstanding shares of Series A Preferred Stock who may receive Exchange Notes as described herein, with the affirmative vote or consent of Holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting or consenting, as the case may be, separately as one class, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting. In addition, without such an affirmative vote or consent, the Company may amend or modify such indenture as expressly provided therein in respect of amendments without the consent of holders of Exchange Notes. Such indenture, as it may be amended or modified pursuant to this provision, is referred to as the "Exchange Indenture," and a copy of the form of Exchange Indenture is attached hereto as Exhibit A.

(E) Except as set forth in paragraphs (f)(ii)(A) and (f)(ii)(B) above, (1) the creation, authorization or issuance of any shares of any Junior Securities, Parity Securities or Senior Securities, or (2) the increase or decrease in the amount of authorized capital stock of any class, including any preferred stock, shall not require the consent of Holders of Series A Preferred Stock and shall not, unless not complying with paragraphs (f)(ii)(A) and (f)(ii)(B) above, be deemed to affect adversely the rights, preferences, privileges or voting rights of Holders of shares of Series A Preferred Stock.

(iii) (A) If (1) after December 15, 2004, dividends on the Series A Preferred Stock are not paid in cash for six consecutive Dividend Payment Dates (a "Dividend Default"); or (2) the Company fails to make a mandatory redemption of the Series A Preferred Stock when required (whether or not any contractual or other restrictions apply to such redemption) pursuant to paragraph (e)(ii) hereof (a "Redemption Default"); or (3) the Company fails to make an offer to repurchase all of the outstanding shares of Series A Preferred Stock within thirty (30) days following a Change of Control, if such offer to repurchase is required to be made pursuant to paragraph (h)(i) hereof, (whether or not any contractual or other restrictions apply to such redemption) (a "Repurchase

Default"); or (4) the Company breaches or violates one of the provisions set forth in this Certificate of Designation and the breach or violation continues for a period of 30 days or more (a "Restriction Default"), then the number of directors constituting the Board of Directors shall be increased to permit the Holders of the majority of the then outstanding Series A Preferred Stock, voting separately as one class, to elect one director. Holders of a majority of the issued and outstanding shares of the Series A Preferred Stock, voting separately as one class, shall have the exclusive right to elect a maximum of one member of the Board of Directors at a meeting therefor called upon occurrence of any one or more of a Dividend Default, Redemption Default, Repurchase Default or Restriction Default, as the case may be, and at every subsequent meeting at which the term of office of the director so elected by the Holders of Series A Preferred Stock expires (other than as described in (f)(iii)(B) below). Each such event described in clauses (1), (2), (3) and (4) is a "Voting Rights Triggering Event." Irrespective of the number of Voting Rights Triggering Events, in no event shall the Holders of Series A Preferred Stock have the right to elect and have serve more than one member of the Board of Directors at any time.

(B) The right of the Holders of Series A Preferred Stock voting separately as one class to elect a maximum of one member of the Board of Directors as set forth in paragraph (f)(iii)(A) above shall continue until such time as (1) in the event such right arises due to a Dividend Default, all accumulated dividends that are in arrears on the Series A Preferred Stock are paid in full in cash; and (2) in the event such right arises due to a Redemption Default or a Repurchase Default, a Restriction Default, the Company remedies any such failure, breach or default, at which time the term of the director elected pursuant to paragraph (f)(iii)(A) shall terminate, subject always to the same provisions for the renewal and divestment of such special voting rights in the case of any future Voting Rights Triggering Event. At any time after voting power to elect a director shall have become vested and be continuing in the Holders of shares of Series A Preferred Stock pursuant to paragraph (f)(iii) hereof, or if a vacancy shall exist in the office of the director elected by the Holders of shares of the Series A Preferred Stock, a proper officer of the Company may, and upon the written request of the Holders of record of at least 10% of the shares of Series A Preferred Stock then outstanding addressed to the Secretary of the Company shall, call a special meeting of the Holders of Series A Preferred Stock, for the purpose of electing the director which such Holders are entitled to elect. If such meeting shall not be called by the proper officer of the Company within 10 days after personal service of said written request upon the Secretary of the Company, or within 10 days after mailing the same within the United States by certified mail, addressed to the Secretary of the Company at its principal executive offices, then the Holders of record of at least 20% of the outstanding shares of the Series A Preferred Stock may designate in writing one of their number to call such meeting at the expense of the Company, and such meeting may be called by the Person so designated upon the notice required for the annual meetings of stockholders of the Company and shall be held at the place for holding the annual

meetings of stockholders or such other place in the United States as shall be designated in such notice. Notwithstanding the provisions of this paragraph (f)(iii)(B), no such special meeting shall be called if any such request is received less than 20 days before the date fixed for the next ensuing annual or special meeting of stockholders of the Company. Any Holder of shares of the Series A Preferred Stock so designated shall have, and the Company shall provide, access to the lists of Holders of shares of the Series A Preferred Stock for purposes of calling a meeting pursuant to the provisions of this paragraph (f)(iii)(B).

(C) At any meeting held for the purpose of electing directors at which the Holders of Series A Preferred Stock shall have the right, voting separately as one class, to elect a director as aforesaid, the presence in person or by proxy of the Holders of at least a majority of the outstanding Series A Preferred Stock shall be required to constitute a quorum of such Series A Preferred Stock.

(iv) In any case in which the Holders of shares of the Series A Preferred Stock shall be entitled to vote pursuant to this paragraph (f) or pursuant to the General Corporation Law of the State of Delaware, each Holder of shares of the Series A Preferred Stock shall be entitled to one vote for each share of Series A Preferred Stock held.

(g) Optional Exchange.

(i) Conditions.

(A) The Company may, at its option on any date (herein the "Exchange Date"), exchange all, but not less than all, of the then outstanding shares of Series A Preferred Stock into the Company's 13.45% Subordinated Exchange Debenture due 2009 (the "Exchange Notes") if such exchange is then permitted by the documents governing the Company's indebtedness from time to time. To exchange Series A Preferred Stock into Exchange Notes, the Company shall send a written notice (the "Exchange Notice") of exchange by mail to each Holder of Series A Preferred Stock, which notice shall state: (v) that the Company has elected to exchange the Series A Preferred Stock into Exchange Notes pursuant to this paragraph (g); (w) the Exchange Date, which shall be no sooner than 30 days nor later than 60 days from the date on which the Exchange Notice is mailed; (x) that the Holder is to surrender to the Company, at the place or places where certificates for shares of Series A Preferred Stock are to be surrendered for exchange, in the manner designated in the Exchange Notice, his certificate or certificates representing the shares of Series A Preferred Stock to be exchanged (properly endorsed or assigned for transfer); (y) that dividends on the shares of Series A Preferred Stock to be exchanged shall cease to accrue, and the Holders of such shares shall cease to have any further rights with respect to such shares (other than the right to receive Exchange Notes), on the Exchange Date whether or not certificates for shares of Series A Preferred Stock are surrendered for exchange on the Exchange Date unless the Company shall default in the delivery

of Exchange Notes; and (z) that interest on the Exchange Notes shall accrue from the Exchange Date whether or not certificates for shares of Series A Preferred Stock are surrendered for exchange on the Exchange Date. On the Exchange Date, if the conditions set forth in clauses (I) through (IV) below are satisfied and if the exchange is then permitted by the documents governing the Company's indebtedness from time to time, the Company shall issue Exchange Notes in exchange for the Series A Preferred Stock as provided in the next paragraph, provided that on the Exchange Date: (I) there shall be legally available funds sufficient therefor (including, without limitation, legally available funds sufficient therefor under Sections 160 and 170 (or any successor provisions) of the Delaware General Corporation Law of the State of Delaware); (II) either (a) a registration statement relating to the Exchange Notes shall have been declared effective under the Securities Act of 1933, as amended (the "Securities Act"), prior to such exchange and shall continue to be in effect on the Exchange Date or (b)(i) the Company shall have obtained a written opinion of counsel that an exemption from the registration requirements of the Securities Act is available for such exchange and (ii) such exemption is relied upon by the Company for such exchange; (III) the Exchange Indenture and the trustee thereunder (the "Trustee") shall have been qualified under the Trust Indenture Act of 1939, as amended, if such qualification is required; and (IV) immediately after giving effect to such exchange, no Default or Event of Default (each as defined in the Exchange Indenture) would exist under the Exchange Indenture.

In the event that the issuance of the Exchange Notes is not permitted on the Exchange Date set forth in the Exchange Notice, or any of the conditions set forth in clauses (I) through (IV) of the preceding sentence are not satisfied on the Exchange Date set forth in the Exchange Notice, the Exchange Date shall be deemed to be the first Business Day thereafter, if any, upon which all of such conditions are satisfied.

(B) Upon any exchange pursuant to paragraph (g)(i)(A), each Holder of outstanding shares of Series A Preferred Stock shall be entitled to receive Exchange Notes in a principal amount equal to the sum of (i) the then liquidation preference (both permanent and conditional as then in effect) of such Holder's shares of Series A Preferred Stock and (ii) the amount of accumulated and unpaid dividends, if any, thereon.

(ii) Procedure for Exchange.

(A) On or before the Exchange Date, each Holder of Series A Preferred Stock shall surrender the certificate or certificates representing such shares of Series A Preferred Stock, in the manner and at the place designated in the Exchange Notice. The Company shall cause the Exchange Notes to be executed on the Exchange Date and, upon surrender in accordance with the Exchange Notice of the certificates for any shares of Series A Preferred Stock so exchanged (properly endorsed or assigned for transfer), such shares shall be

exchanged by the Company into Exchange Notes. The Company shall pay interest on the Exchange Notes at the rate and on the dates specified therein from the Exchange Date.

(B) Subject to the conditions set forth in paragraph (g)(i), if notice has been mailed as aforesaid, and if before the Exchange Date (1) the Exchange Indenture shall have been duly executed and delivered by the Company and the Trustee and (2) all Exchange Notes necessary for such exchange shall have been duly executed by the Company and delivered to the Trustee with irrevocable instructions to authenticate the Exchange Notes necessary for such exchange, then the rights of the Holders of shares of the Series A Preferred Stock as stockholders of the Company shall cease (except the right to receive Exchange Notes), and the Person or Persons entitled to receive the Exchange Notes issuable upon exchange shall be treated for all purposes as the registered Holder or Holders of such Exchange Notes as of the date of exchange without any further action of the Holders of Series A Preferred Stock.

(h) Option of Holders to Elect Repurchase.

(i) Change of Control Offer. Subject to the last paragraph of subclause (B) below, upon the occurrence of a Change of Control, the Company shall make an offer (a "Change of Control Offer") to each Holder of Series A Preferred Stock to repurchase any or all of such Holder's shares of Series A Preferred Stock at a purchase price in cash equal to 101.0% of the aggregate liquidation preference (both permanent and conditional as then in effect) thereof plus cumulated and unpaid dividends thereon, if any, to the date of repurchase (the "Change of Control Payment").

(A) Within 30 days following any Change of Control, the Company shall mail a notice to each Holder of Series A Preferred Stock stating: (1) that the Change of Control Offer is being made pursuant to this paragraph (h)(i) and that all shares of Series A Preferred Stock tendered will be accepted for payment; (2) the purchase price and the purchase date, which shall be no sooner than 30 nor later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"); (3) that any shares not tendered will continue to accumulate dividends; (4) that, unless the Company defaults in the payment of the Change of Control Payment, all shares of Series A Preferred Stock accepted for payment pursuant to the Change of Control Offer shall cease to accumulate dividends after the Change of Control Payment Date; (5) that Holders electing to have any shares of Series A Preferred Stock repurchased pursuant to a Change of Control Offer will be required to surrender such shares, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the shares of Series A Preferred Stock, completed, or transfer by book-entry transfer, to the Company or its transfer agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date; (6) that Holders will be entitled to withdraw their election if the Company or the transfer agent, as the case may be, receives, not later than the close of business

on the third Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the number of shares of Series A Preferred Stock delivered for repurchase, and a statement that such Holder is withdrawing his election to have such shares repurchased; and (7) that Holders whose shares of Series A Preferred Stock are being repurchased only in part will be issued new shares of Series A Preferred Stock equal in liquidation preference to the then liquidation preference (both permanent and conditional as then in effect) of the unpurchased portion of the shares of Series A Preferred Stock surrendered (or transferred by book-entry transfer).

(B) On the Change of Control Payment Date, the Company shall, to the extent lawful, (1) accept for payment all shares of Series A Preferred Stock or portions thereof properly tendered pursuant to the Change of Control Offer, (2) deposit with the Company or its transfer agent an amount equal to the Change of Control Payment in respect of all shares of Series A Preferred Stock or portions thereof so tendered, and (3) deliver or cause to be delivered to the Trustee the shares of Series A Preferred Stock so accepted together with an Officers' Certificate stating the aggregate liquidation preference (both permanent and conditional as then in effect) of such Series A Preferred Stock or portions thereof being repurchased by the Company. The Company or its transfer agent, as the case may be, shall promptly mail to each Holder of shares of Series A Preferred Stock so tendered the Change of Control Payment for such shares or portions thereof. The Company shall promptly issue a certificate representing shares of Series A Preferred Stock and mail (or cause to be transferred by book entry) to each Holder a new certificate representing shares of Series A Preferred Stock equal in liquidation preference (both permanent and conditional as then in effect) to the then liquidation preference (both permanent and conditional as then in effect) of any unpurchased portion of such shares surrendered by such Holder, if any.

If the Change of Control Payment would be prohibited or restricted by the documents governing the Company's indebtedness as in effect immediately prior to the Change of Control or by applicable requirements of the Delaware General Corporation Law, the Company's obligation to consummate the Change of Control Offer shall be delayed until such time as such prohibition or restriction is no longer applicable or in effect; provided, however, that any prohibition or restriction contained in the documents governing the Company's indebtedness incurred or agreed to in anticipation of the Change of Control shall have no effect on the Company's obligation to consummate the Change of Control Offer. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(C) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the

repurchase of shares of Series A Preferred Stock in connection with a Change of Control.

(i) Conversion or Exchange.

The Holders of shares of Series A Preferred Stock shall not have any rights hereunder to convert such shares into or exchange such shares for shares of any other class or classes or of any other series of any class or classes of Capital Stock of the Company.

(j) Preemptive Rights.

No shares of Series A Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Company, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities or such warrants, rights or options may be designated, issued or granted.

(k) Reissuance of Series A Preferred Stock.

Shares of Series A Preferred Stock that have been issued and reacquired in any manner, including shares purchased or redeemed or exchanged, shall (upon compliance with any applicable provisions of the General Corporation Law of the State of Delaware) have the status of authorized but unissued shares of preferred stock of the Company undesignated as to series and may be designated or redesignated and issued or reissued, as the case may be, as part of any series of preferred stock of the Company, provided that such shares may not in any event be reissued as Series A Preferred Stock.

(l) Business Day.

If any payment, redemption or exchange shall be required by the terms hereof to be made on a day that is not a Business Day, such payment, redemption or exchange shall be made on the immediately succeeding Business Day.

(m) Reports.

So long as any shares of Series A Preferred Stock are outstanding, the Company shall furnish to each Holder of Series A Preferred Stock (at such Holder's address listed in the register of Holders maintained by the transfer agent and registrar of the Series A Preferred Stock): (i) beginning at the end of the Company's first fiscal year ending after the Preferred Stock Issue Date, all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K if the Company were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the Company's certified independent accountants, and (ii) all current reports that would be required to be filed with the SEC on Form 8-K if the Company were required to file such reports.

(n) Definitions.

As used in this Section 1, the following terms shall have the following meanings (with terms defined in the singular having comparable meanings when used in the plural and vice versa), unless the context otherwise requires:

"Beneficial Owner" for purposes of the definition of Change of Control has the meaning attributed to it in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Preferred Stock Issue Date), whether or not applicable.

"Board of Directors" means, with respect to any person, the board of directors of such person or any committee of the board of directors of such person authorized, with respect to any particular matter, to exercise the power of the board of directors of such person.

"Business Day" means any day other than a Legal Holiday.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership, partnership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Change of Control" means (i) any merger or consolidation of the Company or Principal Subsidiary with or into any person or any sale, transfer or other conveyance, whether direct or indirect, of all or substantially all of the assets of the Company or Principal Subsidiary on a consolidated basis, in one transaction or a series of related transactions, if, immediately after giving effect to such transaction(s), any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than any Excluded Person or Excluded Persons or (in the case of Principal Subsidiary) the Company, is or becomes the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power in the aggregate normally entitled to vote in the election of directors, managers, or trustees, as applicable, of the transferee(s) or surviving entity or entities, (ii) any "person" or "group," other than any Excluded Person or Excluded Persons or (in the case of Principal Subsidiary) the Company, is or becomes the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of Capital Stock of Principal Subsidiary then outstanding normally entitled to vote in elections of directors; provided, however, that any "person" or "group" will be deemed to be the Beneficial Owner of any Capital Stock of Principal Subsidiary held by the Company so long as such person or group is the Beneficial Owner of, directly or indirectly, in the aggregate a majority of the Capital Stock of the Company then outstanding normally entitled to vote in elections of directors, (iii) during any period of 12 consecutive months after the Preferred Stock Issue Date, individuals who at the beginning of any such 12-month period constituted the Board of Directors of either the

Company or Principal Subsidiary (together, in each case, with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company or Principal Subsidiary was approved by LGP or a Related Party of LGP or by the Excluded Persons or by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company or Principal Subsidiary then in office, as applicable, or (iv) at any time after the Preferred Stock Issue Date, Principal Subsidiary no longer continues, for Federal income tax purposes, to be a member of the affiliated group of the Company under circumstances that would accelerate the unrealized gain in respect of the Company's investment account in Principal Subsidiary.

"Certificate of Incorporation" means the Company's Restated Certificate of Incorporation.

"CIT Credit Facility" means the financing agreement, dated March 8, 1996, between Principal Subsidiary, as borrower, the CIT Group/Business Credit, Inc., as agent and lender, and the other lenders thereunder, as amended through the date hereof.

"Company" means this corporation.

"Dividend Payment Date" means the fifteenth day of June and December.

"Dividend Period" means the Initial Dividend Period and, thereafter, each Semiannual Dividend Period.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"Exchange Date" means a date on which shares of Series A Preferred Stock are exchanged by the Company for Exchange Notes.

"Exchange Notes" means the 13.45% Subordinated Exchange Debentures due 2009 of the Company to be issued at the option of the Company in exchange for the Series A Preferred Stock.

"Excluded Person" means GEI, Robert W. Miller, Steven G. Miller, Michael D. Miller and their respective Related Parties.

"GEI" means Green Equity Investors, L.P., a Delaware limited partnership.

"Holder" means a Person in whose name a share of Series A Preferred Stock is registered.

"Initial Dividend Period" means the dividend period commencing on the Preferred Stock Issue Date and ending on June 14, 1998.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in the Company's principal place of business, the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

"LGP" means Leonard Green & Partners, L.P., a Delaware limited partnership.

"Person" means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or government or agency or political subdivision thereof (including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business).

"Preferred Stock Issue Date" means the date on which the Series A Preferred Stock is originally issued by the Company under this Certificate of Designation.

"Principal Subsidiary" means Big 5 Corp., a Delaware corporation.

"Redemption Date" with respect to any shares of Series A Preferred Stock means the date on which such shares of Series A Preferred Stock are redeemed by the Company.

"Related Party" means (i) with respect to any Excluded Person, (A) any controlling stockholder, 80% or more owned Subsidiary, partner or spouse or immediate family member (in the case of an individual) of such Excluded Person or (B) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or persons beneficially holding an 80% or more controlling interest of which consist of such Excluded Person and/or such other persons referred to in the immediately preceding clause (A), and (ii) only with respect to GEI (and in addition to the persons described in the foregoing clause (i)) any partnership or corporation which is managed by or controlled by LGP or any affiliate thereof.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"Semiannual Dividend Period" shall mean the semiannual period commencing on each June 15 and December 15 and ending on the day before the following Dividend Payment Date.

"Series A Preferred Stock" means the Company's Series A 13.45% Senior Exchangeable Preferred Stock, par value $0.01 per share, with an initial liquidation preference of $100.00 per share, consisting of 350,000 shares.

"Subsidiary" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50.0% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof) and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"Wholly Owned Subsidiary" of any Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which shall at the time be owned (i) by such Person, (ii) by one or more Wholly Owned Subsidiaries of such Person or (iii) by such Person and one or more Wholly Owned Subsidiaries of such Person.

IN WITNESS WHEREOF, Big 5 Holdings Corp. has caused this Certificate to be signed by Robert W. Miller, its Chief Executive Officer, this 12th day of November, 1997.

BIG 5 HOLDINGS CORP.

By: /s/ Robert W. Miller

Robert W. Miller
Chief Executive Officer

BIG 5 HOLDINGS CORP.

13.45% SUBORDINATED EXCHANGE DEBENTURES DUE 2009

INDENTURE

DATED AS OF _____

[NAME]

AS TRUSTEE

THE FORM OF THIS INDENTURE IS SUBJECT TO CHANGES (1) AS REQUESTED IN GOOD FAITH BY THE TRUSTEE IN ORDER TO MEET ITS REQUIREMENTS GENERALLY APPLICABLE TO THE PERFORMANCE OF ITS DUTIES AS TRUSTEE, AND (2) AS REQUIRED TO REFLECT THE EXCHANGE OF SERIES A PREFERRED SHARES WHICH MAY BE TRANSFER RESTRICTED.

CROSS-REFERENCE TABLE*

Trust Indenture Act Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(b)	7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.05
(b)	11.03
(c)	11.03
313(a)	7.06
(b)(1)	10.03
(b)(2)	7.07
(c)	7.06, 11.02
(d)	7.06
314(a)	4.03, 11.02
(b)	10.02
(c)(1)	1.04
(c)(2)	11.04
(c)(3)	N.A.
(d)	10.03, 10.04, 10.05
(e)	11.05
(f)	N.A.
315(a)	7.01
(b)	7.05, 11.02
(c)	7.01
(d)	7.01
(e)	6.11
316(a)(last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.07
(c)	2.12
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318(a)	11.01
(b)	N.A.
(c)	11.01

N.A. means not applicable.

*This Cross-Reference Table is not part of the Indenture.

SCHEDULES

Schedule I ..... Existing Indebtedness I-1

EXHIBITS

Exhibit A FORM OF NOTE A-1

TABLE OF CONTENTS

		Page
ARTICLE 1	DEFINITIONS AND INCORPORATION BY REFERENCE	1
Section 1.01	Definitions	1
Section 1.02	Other Definitions	6
Section 1.03	Incorporation by Reference of Trust Indenture Act	6
Section 1.04	Rules of Construction	6
ARTICLE 2	THE NOTES	7
Section 2.01	Form and Dating	7
Section 2.02	Execution and Authentication	7
Section 2.03	Registrar and Paying Agent	8
Section 2.04	Paying Agent to Hold Money in Trust	8
Section 2.05	Holder Lists	8
Section 2.06	Transfer and Exchange	9
Section 2.07	Replacement Notes	10
Section 2.08	Outstanding Notes	10
Section 2.09	Treasury Notes	10
Section 2.10	Temporary Notes	10
Section 2.11	Cancellation	11
Section 2.12	Defaulted Interest	11
Section 2.13	Persons Deemed Owners	11
ARTICLE 3	REDEMPTION AND PREPAYMENT	12
Section 3.01	Notices to Trustee	12
Section 3.02	Selection of Notes to Be Redeemed	12
Section 3.03	Notice of Redemption	12

		Page
Section 3.04	Effect of Notice of Redemption	13
Section 3.05	Deposit of Redemption Price	13
Section 3.06	Notes Redeemed in Part	14
Section 3.07	Optional Redemption	14
Section 3.08	Mandatory Redemption	14
ARTICLE 4	COVENANTS	15
Section 4.01	Payment of Notes	15
Section 4.02	Maintenance of Office or Agency	16
Section 4.03	Reports and Other Information	16
Section 4.04	Compliance Certificate	16
Section 4.05	Restricted Payments	17
Section 4.06	Offer to Repurchase upon Change of Control	18
ARTICLE 5	SUCCESSORS	19
Section 5.01	Successor Company Substituted	19
ARTICLE 6	DEFAULTS AND REMEDIES	19
Section 6.01	Events of Default	19
Section 6.02	Acceleration	20
Section 6.03	Other Remedies	20
Section 6.04	Waiver of Past Defaults	21
Section 6.05	Control by Majority	21
Section 6.06	Limitation on Suits	21
Section 6.07	Rights of Holders of Notes to Receive Payment	22
Section 6.08	Collection Suit by Trustee	22
Section 6.09	Trustee May File Proofs of Claim	22

		Page
Section 6.10	Priorities	23
Section 6.11	Undertaking for Costs	23
ARTICLE 7	TRUSTEE	23
Section 7.01	Duties of Trustee	23
Section 7.02	Rights of Trustee	24
Section 7.03	Individual Rights of Trustee	25
Section 7.04	Trustee's Disclaimer	25
Section 7.05	Notice of Defaults	25
Section 7.06	Reports by Trustee to Holders of the Notes	26
Section 7.07	Compensation and Indemnity	26
Section 7.08	Replacement of Trustee	27
Section 7.09	Successor Trustee by Merger, Etc	28
Section 7.10	Eligibility; Disqualification	28
Section 7.11	Preferential Collection of Claims Against Company	28
ARTICLE 8	LEGAL DEFEASANCE	28
Section 8.01	Option to Effect Legal Defeasance	28
Section 8.02	Legal Defeasance and Discharge	29
Section 8.03	RESERVED	29
Section 8.04	Conditions to Legal Defeasance	29
Section 8.05	Deposited Money and Government Securities to Be Held in Trust; Other Miscellaneous Provisions	30
Section 8.06	Repayment to Company	31
Section 8.07	Reinstatement	31
ARTICLE 9	AMENDMENT, SUPPLEMENT AND WAIVER	32

		Page
Section 9.01	Without Consent of Holders of Notes	32
Section 9.02	With Consent of Holders of Notes	32
Section 9.03	Compliance with Trust Indenture Act	34
Section 9.04	Revocation and Effect of Consents	34
Section 9.05	Notation on or Exchange of Notes	34
Section 9.06	Trustee to Sign Amendments, etc	35
ARTICLE 10	SUBORDINATION	35
Section 10.01	Agreement to Subordinate	35
Section 10.02	Liquidation; Dissolution; Bankruptcy	35
Section 10.03	Default on Designated Senior Indebtedness	36
Section 10.04	Acceleration of Notes	37
Section 10.05	When Distribution Must Be Paid Over	37
Section 10.06	Notice by Company	37
Section 10.07	Subrogation	37
Section 10.08	Relative Rights	38
Section 10.09	Subordination May Not Be Impaired by Company	38
Section 10.10	Distribution or Notice to Representative	38
Section 10.11	Rights of Trustee and Paying Agent	39
Section 10.12	Authorization to Effect Subordination	39
Section 10.13	Payment	39
Section 10.14	Reinstatement	39
Section 10.15	Amendments	40
ARTICLE 11	MISCELLANEOUS	40
Section 11.01	Trust Indenture Act Controls	40

		Page
Section 11.02	Notices	40
Section 11.03	Communication by Holders of Notes with Other Holders of Notes	41
Section 11.04	Rules by Trustee and Agents	41
Section 11.05	No Personal Liability of Directors, Officers, Employees and Others	41
Section 11.06	Governing Law	42
Section 11.07	No Adverse Interpretation of Other Agreements	42
Section 11.08	Successors	42
Section 11.09	Severability	42
Section 11.10	Counterpart Originals	42
Section 11.11	Table of Contents, Headings, etc	42

This INDENTURE dated as of _____, ___ is by and among Big 5 Holdings Corp. (the "Company"), a Delaware corporation, and [NAME], as trustee (the "Trustee").

The parties listed above agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 13.45% Subordinated Exchange Debentures due 2009 (the "Notes").

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01 DEFINITIONS

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10.0% or more of the voting securities of a Person shall be deemed to be control.

"Agent" means any Registrar or Paying Agent.

"Bankruptcy Law" means Title 11, U.S. Code or any similar foreign or U.S. federal or state law for the relief of debtors.

"Beneficial Owner" for purposes of the definition of Change of Control has the meaning attributed to it in Rules 13d-3 and 13d-5 under the Exchange Act, whether or not applicable.

"Board of Directors" means the Board of Directors of the Company, or any authorized committee of the Board of Directors.

"Business Day" means any day other than a Legal Holiday.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership, partnership interests (whether general or limited) and (iv) any other interests or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means (i) United States dollars, (ii) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof having maturities of not more than one year from the date of acquisition, (iii) certificates of deposit with maturities of not more than one year from the date of acquisition, bankers' acceptances (or, with respect to foreign banks, similar instruments) with maturities not exceeding one year and bank deposits in each case with any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, or any United States branch of a foreign bank

having at the date of acquisition thereof combined capital and surplus of not less than $100.0 million, (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (ii) and (iii) above entered into with any financial institution meeting the qualifications specified in clause (iii) above, (v) commercial paper having the highest rating obtainable from Moody's Investors Service, Inc. or Standard & Poor's Corporation and in each case maturing within one year after the date of acquisition, and (vi) investments in money market funds which invest substantially all their assets in securities of the types described in the foregoing clauses (i) through (v).

"Change of Control" means (i) any merger or consolidation of the Company or Principal Subsidiary with or into any person or any sale, transfer or other conveyance, whether direct or indirect, of all or substantially all of the assets of the Company or Principal Subsidiary on a consolidated basis, in one transaction or a series of related transactions, if, immediately after giving effect to such transaction(s), any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than any Excluded Person or Excluded Persons or (in the case of Principal Subsidiary) the Company, is or becomes the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power in the aggregate normally entitled to vote in the election of directors, managers, or trustees, as applicable, of the transferee(s) or surviving entity or entities, (ii) any "person" or "group," other than any Excluded Person or Excluded Persons or (in the case of Principal Subsidiary) the Company, is or becomes the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of Capital Stock of the Principal Subsidiary then outstanding normally entitled to vote in elections of directors; provided, however, that any "person" or "group" will be deemed to be the Beneficial Owner of any Capital Stock of the Principal Subsidiary held by the Company so long as such person or group is the Beneficial Owner of, directly or indirectly, in the aggregate a majority of the Capital Stock of the Company then outstanding normally entitled to vote in elections of directors, (iii) during any period of 12 consecutive months after the Preferred Stock Issue Date, individuals who at the beginning of any such 12-month period constituted the Board of Directors of either the Company or Principal Subsidiary (together, in each case, with any new directors whose election by such Board of Directors or whose nominations for election by the shareholders of the Company or Principal Subsidiary was approved by LGP or a Related Party of LGP or by the Excluded Persons or by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company or Principal Subsidiary then in office, as applicable, or (iv) at any time after the Preferred Stock Issue Date, Principal Subsidiary no longer continues, for Federal income tax purposes, to be a member of the affiliated group of the Company under circumstances that would accelerate the unrealized gain in respect of the Company's investment account in Principal Subsidiary.

"Company" means Big 5 Holdings Corp. or any successor thereto permitted in accordance with the provisions of Article 5 hereof.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 11.02 hereof or such other address as to which the Trustee may give notice to the Company.

"Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"Default" means any event that is or with the passage of time or the giving of notice or both would be an Event of Default.

"Designated Senior Indebtedness" means (i) so long as the Senior Discount Notes are outstanding, the Senior Discount Notes and (ii) after the Senior Discount Notes cease to be outstanding, any other Senior Indebtedness permitted under this Indenture and that has been designated by the Company as "Designated Senior Indebtedness."

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"Excluded Person" means GEI, Robert W. Miller, Steven G. Miller, Michael D. Miller and their respective Related Parties.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect from time to time.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America or any agency or instrumentality thereof for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

"Holder" means a Person in whose name a Note is registered.

"Indebtedness" means, with respect to any Person and as of any date of determination, (i) any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker's acceptances or representing capital lease obligations or the balance deferred and unpaid of the purchase price of any property (except any such balance that constitutes an accrued expense or trade payable, but only to the extent that such trade payable is not more than 90 days past due), if and to the extent any of the foregoing indebtedness (other than letters of credit) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, and (ii) to the extent not otherwise included, all indebtedness of others secured by a lien on any asset of such Person (whether or not such indebtedness is assumed by such Person).

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Interest Payment Date" means the fifteenth day of June and December.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in the Company's principal place of business, the City of New York, the city in which the Trustee's principal offices are located, or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

"LGP" means Leonard Green & Partners, L.P., a Delaware limited partnership.

"Note Issue Date" means the date on which the Notes are originally issued by the Company.

"Obligations" means any principal, premium, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Assistant Secretary, or any Vice-President of such Person.

"Officer's Certificate" means a certificate signed on behalf of the Company by two Officers of the Company, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Company.

"Opinion of Counsel" means an opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company, any Subsidiary of the Company or the Trustee.

"Person" means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or government or agency or political subdivision thereof (including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business).

"Principal Subsidiary" means Big 5 Corp., a Delaware corporation.

"Representative" means the indenture trustee or other trustee, agent or representative for any Senior Indebtedness.

"Responsible Officer," when used with respect to the Trustee, means any vice president, assistant vice president or corporate trust officer within the Corporate Trust Department of the Trustee (or any successor group of the Trustee) or any other officer of any successor Trustee customarily performing functions similar to those performed by any of the above designated officers.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"Senior Discount Notes" means the Company's Senior Discount Notes due 2008 issued pursuant to the Senior Discount Note Indenture.

"Senior Discount Note Indenture" means the Indenture dated as of November 13, 1997, pursuant to which the Senior Discount Notes will have been issued, by and between the Company and First Trustee National Association, as Trustee.

"Senior Indebtedness" means (i) the Senior Discount Notes and (ii) any other Indebtedness permitted to be incurred by the Company under the terms of this Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Notes. Notwithstanding anything to the contrary in the foregoing, Senior Indebtedness shall not include (w) any liability for federal, state, local or other taxes owed or owing by the Company, (x) any Indebtedness of the Company to any of its Subsidiaries or other Affiliates, (y) any trade payables or (z) any Indebtedness that is incurred in violation of this Indenture.

"Series A Preferred Stock" means the Series A 13.45% Senior Exchangeable Preferred Stock of the Company.

"Subsidiary" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50.0% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof) and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) and the rules and regulations thereunder, as in effect on the date on which this Indenture is qualified under the TIA (except as provided in Section 9.01(e) hereof).

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"Wholly Owned Subsidiary" of any Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares and shares in non-U.S. companies required by local law to be owned by local residents) shall at the time be owned (i) by such Person, (ii) by one or more Wholly Owned Subsidiaries of such Person or (iii) by such Person and one or more Wholly Owned Subsidiaries of such Person.

SECTION 1.02 OTHER DEFINITIONS.

Term	Defined in Section
"Change of Control Offer"	4.06
"Change of Control Payment"	4.06
"Change of Control Payment Date"	4.06
"Event of Default"	6.01
"Legal Defeasance"	8.02
"Notes"	Introduction
"Paying Agent"	2.03
"Payment Blockage Notice"	10.03
"Payment Default"	6.01
"Registrar"	2.03
"Restricted Payments"	4.05

SECTION 1.03 INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes;

"indenture security Holder" means a Holder of a Note;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee;

"obligor" on the Notes means the Company and any successor obligor upon the Notes.

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

SECTION 1.04 RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c) "or" is not exclusive;

(d) words in the singular include the plural, and in the plural include the singular;

(e) provisions apply to successive events and transactions;

(f) references to sections of or rules under the Exchange Act or the Securities Act shall be deemed to include substitute, replacement of successor sections or rules adopted by the SEC from time to time; and

(g) "herein," "hereof" and other words or similar import refer to this Indenture as a whole (as amended or supplemented from time to time) and not to any particular Article, Section or other subdivision.

ARTICLE 2
THE NOTES

SECTION 2.01 FORM AND DATING

(a) The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The Notes shall be in denominations of $100 and integral multiples thereof; provided, however, that in connection with the original issuance of Notes hereunder in exchange for shares of the Series A Preferred Stock or the transfer of Notes with respect to which the principal amount thereof has been increased in accordance with the provisions of this Indenture, the Company may elect to issue Notes in denominations that are not integral multiples of $100 or that are less than $100. The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Company and the Trustee, by their execution and delivery of this Indenture, expressly agrees to such terms and provisions and to be bound thereby.

SECTION 2.02 EXECUTION AND AUTHENTICATION

An Officer shall sign the Notes for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Notes and may be in facsimile form.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee shall, upon the delivery to the Trustee of a written order of the Company signed by two Officers, from time to time, authenticate Notes for original issue up to an aggregate principal amount of $_____ (the amount stated in paragraph 4 of the Notes). The aggregate principal amount of Notes outstanding at any time may not exceed such amount except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent reasonably acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference to this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

SECTION 2.03 REGISTRAR AND PAYING AGENT

The Company shall maintain an office or agency where Notes may be presented for registration or transfer or for exchange ("Registrar") and an office or agency where Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a registrar of the Notes and of their transfer and exchange. The Company may also from time to time appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar; provided, however, if a Default or Event of Default has occurred and is continuing, none of the Company, its Subsidiaries nor any Affiliates of the foregoing shall act as Paying Agent or Registrar.

The Company initially appoints the Trustee to act as the Registrar and Paying Agent.

SECTION 2.04 PAYING AGENT TO HOLD MONEY IN TRUST

The Company shall require each Paying Agent other than the Trustee to agree in writing that, subject to Article 10 hereof, the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium, if any, or interest on the Notes, and shall notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders, subject to Article 10 hereof, all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee shall serve as Paying Agent for the Notes.

SECTION 2.05 HOLDER LISTS

The Trustee shall preserve in as current a form as is reasonably practicable to it the most recent list available to it of the names and addresses of all Holders and, after this Indenture is required to be qualified under the TIA, shall otherwise strictly comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven Business days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may require of the names and addresses of the

Holders of the Notes and, after this Indenture is required to be qualified under the TIA, the Company shall otherwise strictly comply with TIA Section 312(a).

SECTION 2.06 TRANSFER AND EXCHANGE

When Notes are presented by a Holder to the Registrar with a request:

(x) to register the transfer of the Notes, or

(y) to exchange such Notes for an equal then principal amount of Notes of other authorized denominations,

the Registrar shall register the transfer or make the exchange as requested if its requirements for such transactions are met; provided, however, that the Notes presented or surrendered for register of transfer or exchange shall be duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by such Holder's attorney, duly authorized in writing. To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Notes at the Registrar's request.

No service charge shall be made to a Holder for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charges payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.02, 2.10, 3.06, 3.07, 4.06 and 9.05 hereto).

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Neither the Registrar nor the Company shall be required:

(A) to issue, to register the transfer of or to exchange Notes during a period beginning at the opening of business 15 Business Days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection; or

(B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding Interest Payment Date.

The Trustee shall authenticate Notes in accordance with the provisions of Section 2.02 hereof.

SECTION 2.07 REPLACEMENT NOTES

If any mutilated Note is surrendered to the Trustee, or the Company and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company shall, upon the written request of the Holder thereof, issue and the Trustee, upon the written order of the Company signed by two Officers of the Company, shall authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be supplied by such Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company and the Trustee may charge for its expenses in replacing a Note.

Every replacement Note is an additional obligation of the Company and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

SECTION 2.08 OUTSTANDING NOTES

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those cancelled by it (or its agent), those delivered to it (or its agent) for cancellation, and those described in this Section as not outstanding. If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note (other than a mutilated Note surrendered for replacement) is held by a bona fide purchaser (as such term is defined in Section 8-302 of the Uniform Commercial Code as in effect in the State of New York).

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Company or an Affiliate holds the Note.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money or Cash Equivalents sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

SECTION 2.09 TREASURY NOTES

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or by any Subsidiary shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Responsible Officer of the Trustee has actual knowledge are so owned shall be so disregarded.

SECTION 2.10 TEMPORARY NOTES

Until definitive Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes upon a written order of the Company signed by two Officers of

the Company. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes and as shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Notes in exchange for temporary Notes.

Until such exchange, Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

SECTION 2.11 CANCELLATION

The Company at any time may deliver Notes to the Trustee or its agent for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee (or its agent) and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy cancelled Notes (subject to the record retention requirement of the Exchange Act). Certification of the destruction of all cancelled Notes shall be delivered to the Company. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee (or its agent) for cancellation. If the Company acquires any of the Notes, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Notes unless and until the same are surrendered to the Trustee (or its agent) for cancellation pursuant to this Section 2.11.

SECTION 2.12 DEFAULTED INTEREST

If the Company defaults in a payment of interest on the Notes with respect to any Interest Payment Date after December 15, 2004, it shall pay the defaulted interest in any lawful manner permitted under the terms of the Notes plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company shall fix or cause to be fixed each such special record date and payment date, provided that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

SECTION 2.13 PERSONS DEEMED OWNERS

Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent, the Company and any agent of the foregoing may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for all purposes (including the purpose of receiving payment of principal of and interest on such Notes; provided that defaulted interest shall be paid as set forth in Section 2.12), and none of the Trustee, any Agent, the Company or any agent of the foregoing shall be affected by notice to the contrary.

ARTICLE 3
REDEMPTION AND PREPAYMENT

SECTION 3.01 NOTICES TO TRUSTEE

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, kit shall furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth (i) the clause of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the then principal amount of Notes to be redeemed and (iv) the redemption price.

SECTION 3.02 SELECTION OF NOTES TO BE REDEEMED

If less than all of the Notes are to be redeemed at any time, the Trustee shall select the Notes to be redeemed among the Holders of the Notes in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not so listed, on a pro rata basis, by lot or in accordance with any other method the Trustee considers fair and appropriate. In the event of partial redemption by lot, the particular Notes to be redeemed shall be selected, unless otherwise provided herein, not less than 25 nor more than 60 days prior to the redemption date by the Trustee form the outstanding Notes not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Notes and portions of Notes selected shall be in amounts of $100 or whole multiples of $100; except that (i) if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $100, shall be redeemed and (ii) Notes with a then principal amount that is less than $100 shall not be redeemed in part. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

SECTION 3.03 NOTICE OF REDEMPTION

At least 30 days but not more than 60 days before a redemption date, the Company shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address.

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

(a) the redemption date;

(b) the redemption price;

(c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Note;

(d) the name and address of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(g) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(h) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense; provided, however, that the Company shall have delivered to the Trustee, at least 45 days prior to the redemption date (unless a shorter period is acceptable to the Trustee), an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

SECTION 3.04 EFFECT OF NOTICE OF REDEMPTION

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

SECTION 3.05 DEPOSIT OF REDEMPTION PRICE

One Business Day prior to the redemption date, the Company shall deposit with the Trustee or with the Paying Agent money in next day funds sufficient to pay the redemption price of and accrued interest on all Notes to be redeemed on that date. The Trustee or the Paying Agent shall promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption price of, and accrued interest on, all Notes to be redeemed.

If the Company complies with the provisions of the preceding paragraph, on and after the redemption date, interest shall cease to accrue on the Notes or the portions of Notes called for redemption. If a Note is redeemed on or after an interest record date but on or prior to the related Interest Payment Date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

SECTION 3.06 NOTES REDEEMED IN PART

Upon surrender of a Note that is redeemed in part, the Company shall issue and, upon the Company's written request, the Trustee shall authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

SECTION 3.07 OPTIONAL REDEMPTION

(a) Except as set forth in clause (b) of this Section 3.07, the Company shall not have the option to redeem the Notes pursuant to this Section 3.07 prior to November 13, 2002. Thereafter, the Company shall have the option to redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of the then principal amount) set forth below plus accrued and unpaid interest, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on November 13 of the years indicated below:

YEAR	PERCENTAGE
2002	106.725%
2003	105.380%
2004	104.035%
2005	102.690%
2006	101.345%
2007 and thereafter	100.000%

provided that no optional redemption pursuant to this Section shall be authorized or made at less than 101% of the then principal amount, plus accrued and unpaid interest thereon, of the Notes at any time when the Company is redeeming the Notes under a Change of Control Offer in accordance with the provisions of Section 4.06 hereof.

(b) Notwithstanding the provisions of clause (a) of this Section 3.07, at any time on or prior to November 13, 2002, the Company may, at its option on one or more occasions, redeem any or all of the Notes originally outstanding at a redemption price equal to 110% of the then principal amount, plus accrued and unpaid interest thereon, to the redemption date, with the net proceeds of any underwritten public offering of its common stock.

(c) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Section 3.01 through 3.06 hereof.

SECTION 3.08 MANDATORY REDEMPTION

Except as set forth under Sections 4.06, the Company shall not be required to make mandatory redemption payments with respect to the Notes.

ARTICLE 4
COVENANTS

SECTION 4.01 PAYMENT OF NOTES

The Company shall pay or cause to be paid the principal of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes. Interest on the Notes shall accrue on a daily basis from the Note Issue Date and shall be payable semi-annually in arrears on each Interest Payment Date, commencing on the first Interest Payment Date after the Note Issue Date, provided that with respect to any interest payable on any Interest Payment Date on or before December 15, 2004, the amount payable as interest on such Interest Payment Date may, at the option of the Company, be paid in cash or by increasing the then principal amount of the Notes by the amount of such interest payment (rounded to the nearest whole cent). Such increase in the then stated principal amount of the Notes shall constitute full payment of such interest. In the event the Company does not make an interest payment in cash on any Interest Payment Date on or before December 15, 2004, the Company shall be deemed to have satisfied such payment by increase in the then stated principal amount of the Notes. With respect to interest payments on or prior to December 15, 2004, the company shall give the Trustee notice at least three (3) Business Days prior to a payment indicating the extent to which such payment will be paid in cash (provided, that the Trustee may, in its sole and absolute discretion, waive such notice). Any increase in the then stated principal amount of the Notes as set forth in this Section shall occur automatically, without the need for any action on the part of the Company, on the applicable Interest Payment Date.

Principal and interest shall be considered paid in cash on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Company in next day funds and designated for and sufficient to pay all principal, premium, if any, and interest then due; provided, however, that any such money held by the Paying Agent for the benefit of the holders of Senior Indebtedness or the payment of which to Holders of the Notes is prohibited by Article 10 shall not be considered to be designated for the payment of any amounts owing on the Notes within the meaning of this Section 4.01. The Paying Agent shall return to the Company, no later than three Business Days following the date of payment, any money (including accrued interest) in excess of the amounts paid on the Notes.

Interest payable on any Interest Payment Date after December 15, 2004 shall be paid only in cash. With respect to interest payable on any Interest Payment Date after December 15, 2004 which is not paid in cash on the Interest Payment Date, the amount so payable in cash on such Interest Payment Date shall accrue interest at the rate and in the manner provided in the Notes, compounded, if not paid, on each succeeding Interest Payment Date.

Not more than 30 days after an Interest Payment Date, written notice of the amount of interest per Note paid, or in the event of a failure of the Company to pay such interest in cash on or prior to December 15, 2004, the resulting increase in the then stated principal amount of each Note, shall be given by first-class mail, postage prepaid, to each Holder of Notes of record, on the record date fixed by the Board of Directors for payment of such interest or, if no record date was fixed, the Interest Payment Date, of the Notes at such Holder's address as the same appears on the Trustee's register, provided that no failure to give such notice nor any deficiency therein shall affect any increase in the then stated principal amount of each Note.

SECTION 4.02 MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designations or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee (for the initial Trustee, located at [ADDRESS], New York, NY [ZIP CODE] as one such office or agency of the Company in accordance with Section 2.03.

SECTION 4.03 REPORTS AND OTHER INFORMATION.

So long as Notes are outstanding, the Company shall furnish to the Trustee and to all Holders: (i) beginning at the end of the Company's first fiscal year ending after the Note Issue Date, all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K if the Company were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the Company's certified independent accountants, and (ii) all current reports that would be required to be filed with the SEC on Form 8-K if the Company were required to file such reports.

SECTION 4.04 COMPLIANCE CERTIFICATE.

(a) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, per-form ed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Defaults of which he

or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on accounts of the principal of or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.03 above shall be accompanied by a written statement of the Company's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Company has violated any provisions of Article 4 or Article 5 hereof or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(c) The Company shall, so long as any of the Notes are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

SECTION 4.05 RESTRICTED PAYMENTS

The Company shall not, and shall not permit any of the Company's Subsidiaries to, (1) declare, pay or set apart for payment any dividend n any of the Equity Interests of the Company or any of its Subsidiaries (other than dividends or distributions in Equity Interests or to the Company or to another Wholly Owned Subsidiary) or make any payment on account of, or set apart for payment money for a sinking or other similar fund for, the purchase, redemption or other retirement of, any of the Equity Interests or any warrants, rights, calls or options exercisable for or convertible into any of the Equity Interests (other than the repurchase, redemption or other acquisition or retirement for value of Equity Interests (and any warrants, rights, calls or options exercisable for or convertible into such Equity Interests) either pursuant to agreements entered into on or prior to November 13, 1997, or held by employees of or consultants or advisors to the Company or any of its Subsidiaries, which repurchase, redemption or other acquisition or retirement shall have been approved by a majority of the Board of Directors or shall be made pursuant to the repurchase provisions under employee stock option, stock purchase or stock subscription agreements or other agreements to compensate employees, consultants or advisors and which such repurchases, redemptions or other acquisitions or retirements for value would otherwise be permitted by the documents governing the Company's Indebtedness from time to time), or (2) make any distribution in respect thereof, either directly or indirectly, and whether in cash, obligations or shares of the Company or other property (other than distributions or dividends in Equity Interests to the holders of Equity Interests), or (3) permit any corporation or other entity directly or indirectly controlled by the Company to purchase or redeem any of the Junior Securities or any such warrants, rights, calls or options, unless in either case cumulative interest determined in accordance herewith has been paid in full in cash (if so required at that time) on the Notes.

SECTION 4.06 OFFER TO REPURCHASE UPON CHANGE OF CONTROL.

Subject to contractual restrictions thereon, upon the occurrence of a Change of Control, the Company shall make an offer (a "Change of Control Offer") to each Holder to repurchase all or any part of such Holder's Notes at a purchase price in cash equal to 101.0% of the then stated principal amount of the Notes, plus accrued and unpaid interest thereon, if any, to the date of repurchase (the "Change of Control Payment").

Within 30 days following any Change of Control, the Company shall mail a notice to each Holder and the Trustee stating: (1) that the Change of Control Offer is being made pursuant to this Section 4.06 and that all Notes tendered will be accepted for payment; (2) the purchase price and the purchase date, which shall be no sooner than 30 nor later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"); (3) that any Note not tendered will continue to accrue interest; (4) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date; (5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes completed, or transfer by book-entry transfer, to the Company, the depositary (if appointed by the Company), or the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date; (6) that Holders will be entitled to withdraw their election if the Company, the depositary or the Paying Agent, as the case may be, receives, not later than the close of business on the third Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchase; and (7) that Holders whose Notes are being purchase only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer). The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes in connection with a Change of Control Offer.

On the Change of Control Payment Date, the Company shall, to the extent lawful, (1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer, (2) prior to 10:00 a.m. Eastern Time, deposit with the Paying Agent an amount in next day funds equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and (3) deliver or cause to be delivered to the Trustee the Notes so accepted together with a Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company. The Company, the depositary or the Paying Agent (at the expense of the Company), as the case may be, unless prohibited by Article 10 hereof, shall promptly mail to each Holder of Notes so tendered the Change of Control Payment for such Notes or portions thereof. The Company shall promptly issue a new Note and the Trustee, upon written request from the Company, shall promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered by such Holder, if any.

If the Change of Control Payment would be prohibited or restricted by the documents governing the Company's Indebtedness as in effect immediately prior to the Change of Control, the Company's obligation to consummate the Change of Control Offer shall be delayed until such time as such prohibition or restriction is no longer applicable or in effect; provided, however, that any prohibition or restriction contained in the documents governing the Company's Indebtedness incurred or agreed to in anticipation of the Change of Control shall have no effect on the Company's obligation to consummate the Change of Control Offer. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

ARTICLE 5
SUCCESSORS

SECTION 5.01 SUCCESSOR COMPANY SUBSTITUTED

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company, the successor corporation, Person or other entity formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor corporation, Person or other entity and not to the Company), and may exercise every right and power of the Company under this Indenture with the same effect as if such successor corporation, Person or other entity had been named as the Company herein.

ARTICLE 6
DEFAULTS AND REMEDIES

SECTION 6.01 EVENTS OF DEFAULT.

An "Event of Default" occurs if:

(a) the Company defaults in the payment of interest on any Note when the same becomes due and payable and such Default continues for a period of 30 days, whether or not such payment is prohibited by the provisions of Article 10 hereof;

(b) the Company defaults in the payment of the principal of or premium, if any, on any Note when the same becomes due and payable at maturity, upon redemption in the event of repurchase pursuant to Section 4.06 hereof, or otherwise, whether or not such payment is prohibited by the provisions of Article 10 hereof;

(c) the Company fails to comply with any of its other agreements or covenants in, or provisions of, the Notes, or this Indenture and the Default continues for the period and after the notice specified below;

(d) a default occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Subsidiaries (or the payment of which is guaranteed by the Company or any of its Subsidiaries), whether such Indebtedness now exists or shall be created hereafter, which default (1) is caused by a failure to pay at stated final maturity principal on such Indebtedness when due (after giving effect to any extension thereof) (a "Payment Default") or (ii) results in the acceleration of such Indebtedness prior to its express maturity and, in the case of each of (i) and (ii), the principal amount of such Indebtedness, together with the principal amount of any other Indebtedness as to which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $5.0 million or more;

(e) a final judgment or final judgments for the payment of money are entered by a court or courts of competent jurisdiction against the Company or the Principal Subsidiary and such judgment or judgments remain unpaid and undischarged for a period (during which execution shall not be effectively stayed) of 60 days, provided that the aggregate of all such unpaid and undischarged judgments exceeds $5.0 million at any one time with respect to the Company or the Principal Subsidiary;

(f) the Company or the Principal Subsidiary shall, pursuant to or within the meaning of any Bankruptcy Law:

(i) commence a voluntary case;

(ii) consent to the entry of an order for relief against it in an involuntary case;

(iii) consent to the appointment of a Custodian of it or for all or substantially all of its property;

(iv) make a general assignment for the benefit of its creditors;

(v) admit in writing its inability to pay its debts generally as they become due;

(g) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company or the Principal Subsidiary, or

(ii) appoint a Custodian of the Company or the Principal Subsidiary for all or substantially all of the property of the Company or the Principal Subsidiary, or

(iii) orders the liquidation of the Company or the Principal Subsidiary,

and in the event of any of (i), (ii) or (iii), the order or decree remains unstayed and in effect for at least 60 consecutive days.

A Default under clause (c) is not an Event of Default until the Trustee notifies the Company, or the Holders of at least 25.0% in then principal amount of the then outstanding Notes notify the Company and the Trustee, of the Default and the Company does not, with respect to a Default under clause (c), cure such Default within 30 days after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." An Event of Default shall not be deemed to have occurred under clause (d) or (e) until the Trustee shall have received written notice from the Company or any of the Holders or unless a Responsible Officer shall have knowledge of such Event of Default. All other Events of Default specified under this Section are immediate Events of Default without the necessity of any written notice or other act by the Company, the Trustee, any Holder or any Responsible Officer or without the passage of time. Notwithstanding the foregoing, in the event of any Event of Default specified in clause (d), such Event of Default and all consequences thereof (including without limitation any acceleration pursuant to Section 6.02 hereof or resulting payment default) shall be annulled, waived and rescinded, automatically and without any action by the Trustee or any Holder, if within 30 days after such Event of Default arose (x) the Indebtedness or guaranty that is the basis for such Event of Default has been discharged, or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default, or (z) if the default that is the basis for such Event of Default has been cured.

SECTION 6.02 ACCELERATION

If an Event of Default (other than an Event of Default specified in clause (f) or (g) of Section 6.01) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25.0% in principal amount of the then outstanding Notes by written notice to the Company and the Trustee (with a copy to the Senior Discount Note Trustee), may declare the unpaid principal of and any accrued interest on all the Notes to be due and payable immediately; provided that, so long as any Senior Discount Notes are outstanding, such acceleration shall not be effective until the earlier of (i) acceleration of any such Indebtedness under the Senior Discount Notes or (ii) five Business Days after receipt by the Company and the Senior Discount Trustee of written notice of such acceleration. Upon the effectiveness of such acceleration the principal and interest shall be due and payable immediately. If an Event of Default with respect to the Company specified in clause (f) or (g) of Section 6.01 hereof occurs, all outstanding Notes shall be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. The Holders of a majority in then principal amount of the then outstanding Notes by written notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal or interest that has become due solely because of the acceleration) have been cured or waived.

SECTION 6.03 OTHER REMEDIES

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of the then principal amount, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04 WAIVER OF PAST DEFAULTS.

Holders of a majority in the then aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, waive an existing Default or Event of Default and its consequences hereunder (including without limitation acceleration and its consequences, including any related payment default that resulted from such acceleration), except a continuing Default of Event of Default in the payment of the then principal of, or premium or interest on, the Notes (including in connection with an offer to purchase). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.05 CONTROL BY MAJORITY

Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it; provided, however, that (i) the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability, and (ii) the Trustee may take any other action it deems proper that is not inconsistent with such direction.

SECTION 6.06 LIMITATION ON SUITS

A Holder of a Note may pursue a remedy with respect to this Indenture or the Notes (including without limitation the institution of any proceeding, judicial or otherwise, with respect to the Notes or this Indenture or for the appointment of a receiver or trustee for the Company and/or any of its Subsidiaries) only if:

(a) the Holder of a Note gives to the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25.0% in then principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder of a Note or Holders of Notes offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

SECTION 6.07 RIGHTS OF HOLDERS OF NOTES TO RECEIVE PAYMENT

The right of any Holder of a Note to receive payment of then principal, premium and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08 COLLECTION SUIT BY TRUSTEE

If an Event of Default specified in Section 6.01(a) or (b) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the then principal amount of, premium and interest remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09 TRUSTEE MAY FILE PROOFS OF CLAIM

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceeding relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10 PRIORITIES

If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to the holders of Senior Indebtedness tot he extent required by Article 10 hereof;

Third: to the Holders of Notes for amounts due and unpaid on the Notes for the then principal amount, premium and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for the then principal amount, premium and interest, respectively; and

Fourth: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

SECTION 6.11 UNDERTAKING FOR COSTS

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.06 hereof, or a suit by Holders of more than 10.0% in then principal amount of the then outstanding Notes.

ARTICLE 7
TRUSTEE

SECTION 7.01 DUTIES OF TRUSTEE

(a) If an Event of Default has occurred and is continuing and known to a Responsible Officer of the Trustee, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee shall not be liable hereunder except for such duties of the Trustee which shall be determined solely by the express provision of this Indenture and the

Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not such documents conform to the requirements of this Indenture.

(c) The trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Sections 6.05 or 6.06 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any relates to the Trustee is subject to paragraphs (a), (b), (c), (e) and (f) of this Section 7.01 and Section 7.02.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability whatsoever in the performance of any of its duties hereunder or in the exercise of any of its rights or powers hereunder. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it in its sole subjective discretion (which discretion shall be exercised in good faith) against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02 RIGHTS OF TRUSTEE

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting pursuant to any provision of this Indenture or otherwise, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in its sole subjective discretion

(which discretion shall be exercised in good faith) in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes in its sole subjective discretion (which discretion shall be exercised in good faith) to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) The permissive right of the Trustee to act hereunder shall not be construed as a duty.

(f) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee security of indemnify satisfactory to the Trustee in its sole subjective discretion (which discretion shall be exercised in good faith) against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

SECTION 7.03 INDIVIDUAL RIGHTS OF TRUSTEE

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

SECTION 7.04 TRUSTEE'S DISCLAIMER

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.05 NOTICE OF DEFAULTS

If a Default or Event of Default occurs and is continuing and if it is actually known to the principal account officer of the Trustee responsible for this Indenture, the Trustee shall mail to Holders of Notes (with a copy of the Senior Credit Agreement Agent and the Senior Subordinated

Note Trustee) a notice of the Default or Event of Default within 90 days after such event occurs. Except in the case of a Default or Event of Default in payment of the then principal amount of, premium, if any, or interest on any Note, the Trustee may withhold such notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

SECTION 7.06 REPORTS BY TRUSTEE TO HOLDERS OF THE NOTES

Within 60 days after each September 30 beginning with the September 30 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee shall mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA Section 313(a) (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA Section 313(c).

A copy of each report at the time of its mailing to the Holders of Notes shall be mailed to the Company and filed with the SEC and each stock exchange on which the Notes are listed in accordance with TIA Section 313(d). The Company shall promptly notify the Trustee when the Notes are listed on any stock exchange.

SECTION 7.07 COMPENSATION AND INDEMNITY

Absent any other agreement to the contrary, the Company shall pay to the Trustee from time to time upon demand reasonable compensation for its acceptance of this Indenture and services hereunder (including acting as Paying Agent and/or depositary). The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company (including this Section 7.07) and defending itself against any claim (whether asserted by the Company or any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence or bad faith. The Trustee shall promptly notify the Company of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Trustee shall control the defense of any claims against itself and, with respect to the defense of all other claims, shall cooperate with the Company in such defense to the extent reasonable. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The obligations of the Company under this Section 7.07 shall survive the satisfaction and discharge of this Indenture.

To secure the Company's payment obligations in this Section, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(f) or (g) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

The Trustee shall comply with the provisions of TIA Section 313(b)(2) to the extent applicable.

SECTION 7.08 REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company (with a copy to the Senior Credit Agreement Agent and the Senior Subordinated Note Trustee). The Holders of Notes of a majority in then principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing (with a copy to the Senior Credit Agreement Agent and the Senior Subordinated Note Trustee). The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10 hereof;

(b) the Trustee is adjusted a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in then principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of Notes of at least 10.0% in then principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Note who has been a Holder of a Note for at least six months, fails to comply with Section 7.10, such Holder of a Note may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company (with a copy to the Senior Discount Note Trustee). Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of the Notes (with a copy to the Senior Discount Note Trustee. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 hereof shall continue for the benefit of the retiring Trustee.

SECTION 7.09 SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 7.10 ELIGIBILITY; DISQUALIFICATION

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $100.0 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1), (2) and (5). The Trustee is subject to TIA Section 310(b).

SECTION 7.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY

The Trustee is subject to TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 8
LEGAL DEFEASANCE

SECTION 8.01 OPTION TO EFFECT LEGAL DEFEASANCE

The Company may, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, at any time, elect to have Section 8.02 hereof be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

SECTION 8.02 LEGAL DEFEASANCE AND DISCHARGE

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from its obligations with respect to all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Notes and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Notes to receive solely from the trust fund described in Section 8.05 hereof, and as more fully set forth in such Section, payments in respect of the then principal amount of, premium, if any, and interest on such Notes when such payments are due, (b) the Company's obligations with respect to such Notes under Article 2 and Section 4.02 hereof, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's obligations in connection therewith and (d) this Article 8.

SECTION 8.03 RESERVED

SECTION 8.04 CONDITIONS TO LEGAL DEFEASANCE

The following shall be the conditions to the application of Section 8.02 hereof to the outstanding Notes:

In order to exercise Legal Defeasance:

(a) if there are Senior Discount Notes outstanding, the Company shall have obtained the prior written consent of the Senior Discount Note Trustee or the holders of a majority in the then aggregate principal amount of outstanding Senior Discount Notes, or shall have exercised its option to defease Senior Discount Notes under the applicable provisions of the Senior Discount Note Indenture;

(b) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in United States dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the then principal amount of, premium, if any, and interest on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(c) the Company shall have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since November 13, 1997, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (ocher than a Default or Event of Default resulting from the incurrence of Indebtedness all or a portion of the proceeds of which will be used to defease the Notes pursuant to this Article 8 concurrently with such incurrence);

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(f) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company; and

(g) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance have bean complied with.

SECTION 8.05 DEPOSITED MONEY AND GOVERNMENT SECURITIES TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 hereof in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company or any of its Subsidiaries or Affiliates acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of the then principal amount, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to this Section 8.05 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the request of the Company any money or non-callable Government Securities held by it as provided in this Section 8.05 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(b) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.06 REPAYMENT TO COMPANY

Any money deposited with the Trustee or any Paying Agent, or then held by the Company or any of its Subsidiaries or Affiliates, in trust for the payment of the then principal amount of, premium, if any, or interest on any Note and remaining unclaimed for one year after such principal, and premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company or any of its Subsidiaries or Affiliates) shall be discharged from such trust; and the Holder of such Note shall thereafter, as a secured creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company or any of in Subsidiaries or Affiliates as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 8.07 REINSTATEMENT

If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Section 8.02 hereof, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, or if a Default from a bankruptcy or insolvency event occurs at any time during the period ending on the 91st day after the date of a deposit by the Company hereunder, then the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 hereof; provided, however, that, if the Company makes any payment of principal of, premium, if any, or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9
AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 9.01 WITHOUT CONSENT OF HOLDERS OF NOTES

Notwithstanding Section 9.02 of this Indenture, the Company and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder of a Note:

(a) to cure any ambiguity, defect or inconsistency;

(b) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(c) to provide for assumption of the Company's obligations to the Holders of the Notes in the case of a merger or consolidation pursuant to Article 5 hereof;

(d) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any Holder of the Note; or

(e) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA as then in effect.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee shall join with the Company in the execution of any amended or supplemental Indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the trustee shall not be obligated to enter into such amended or supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.02 WITH CONSENT OF HOLDERS OF NOTES.

Except as provided below in this Section 9.02, the Company and the Trustee may amend or supplement this Indenture (including Section 4.06 hereof), and the Notes may be amended or supplemented, with the consent of the Holders of at least a majority in the then aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for the Notes). Subject to Sections 6.04 and 6.07 and the last sentence of Section 6.01 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, if any, or interest on the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture or the Notes may be waived with the consent of the Holders of a majority in the then principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes.)

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as

aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee shall join with the Company in the execution of such amended or supplemental Indenture unless such amended or supplemental Indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental Indenture.

It shall not be necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to the Holders of Notes affected thereby (with a copy to the Senior Credit Agreement Agent and the Senior Subordinated Note Trustee) a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental Indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in the then aggregate principal amount of the Notes then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture of the Notes. However, without the consent of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder):

(a) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the then principal amount of or change the fixed maturity of any Note or alter or waiver any of the provisions with respect to the redemption of the Notes (other than in Section 4.06 hereof);

(c) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(d) waive a default or Event of Default in the payment of principal or premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in the then aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration) (provided, however, that an Event of Default arising under clause (d) of the first paragraph of Section 6.01 shall be annulled, waived and rescinded automatically as set forth in Section 6.01);

(e) make any Note payable in money other than that stated in the Notes;

(f) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of or interest on the Notes;

(g) waive a redemption or payment with respect to any Note (other than a payment required under Section 4.06); or

(h) make any changes in Article 10, Section 6.04 or 6.07 hereof or in this Section 9.02 (provided, however, that no change that adversely affects the rights of holders of Senior Indebtedness under Article 10 hereof shall be made unless the holders of such Senior Indebtedness consent to such change as provided in Section 10.13 hereof).

SECTION 9.03 COMPLIANCE WITH TRUST INDENTURE ACT

Every amendment or supplement to the Indenture or the Notes shall be set forth in a amended or supplemental Indenture that complies with the TIA as then in effect.

SECTION 9.04 REVOCATION AND EFFECT OF CONSENTS

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is an continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment has been approved by the requisite Holders. An amendment, supplement or waiver becomes effective when approved by the requisite Holders and executed by the Trustee (or, if otherwise provided in such waiver, supplement or amendment, in accordance with its terms) and thereafter binds every Holder.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then notwithstanding the last sentence of the immediately preceding paragraph, those persons who were Holders at such record date (or their duly designated proxies), and only those persons, shall be entitled to consent to such amendment or waiver or revoke any consent previously given, whether or not such persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date except to the extent that the requisite number of consents to the amendment, supplement or waiver have been obtained within such 90-day period or as set forth in the next paragraph of this Section 9.04.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it makes a change described in any of clauses (a) through (h) of Section 9.02, in which case, the amendment, supplement or waiver shall bind only each Holder of a Note who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same indebtedness as the consenting Holder's Note.

SECTION 9.05 NOTATION ON OR EXCHANGE OF NOTES

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.06 TRUSTEE TO SIGN AMENDMENTS, ETC.

The Trustee shall sign any amended or supplemental Indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustees. The Company may not sign an amendment or supplemental Indenture until the Board of Directors approves it. In executing any amended or supplemental indenture, the Trustee shall be entitled to receive and (subject to Section 7.01) shall be fully protected in relying upon, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amendment or supplemental indenture is authorized or permitted by this Indenture.

ARTICLE 10
SUBORDINATION

SECTION 10.01 AGREEMENT TO SUBORDINATE

The Company agrees, and each holder of a Note by accepting a Note agrees, that any Obligation evidenced by the note is subordinated in right of payment, to the extent and in the manner provided in this Article, to the prior payment in full, in cash or United States dollar-denominated Cash Equivalents, of all Senior Indebtedness (whether outstanding on the date hereof or hereafter created, incurred, assumed or guaranteed), and that the subordination is for the benefit of the holders of Senior Indebtedness.

This Article 10 shall constitute a continuing offer to all persons who are or become holders of Senior Indebtedness, and such provisions are made for the benefit of such holders, any one or more of whom may enforce such provisions.

SECTION 10.02 LIQUIDATION; DISSOLUTION; BANKRUPTCY

Upon any distribution to creditors of the Company in a liquidation of dissolution of the Company or in a bankruptcy, reorganization, insolvency, receivership, or similar proceeding relating to the Company or its property, or upon an assignment for the benefit of creditors or any marshalling of the Company's assets and liabilities:

(a) holders of Senior Indebtedness shall be entitled to receive payment in full, in cash or United Stated dollar-denominated Cash Equivalents, of all Obligations due in respect of such Senior Indebtedness (including interest after the commencement of any such proceeding at the rate specified in the applicable Senior Indebtedness) before holders of Notes shall be entitled to receive any payment of any kind or character with respect to the Notes (except that Holders of Notes may receive (i) securities that are subordinated to at least the same extent as the Notes to (A) Senior Indebtedness and (B) any securities issued in exchange for Senior Indebtedness and (ii) payments and other distributions made from any defeasance trust created pursuant to Section 8.01 hereof); and

(b) until all Obligations with respect to Senior Indebtedness (as provided in subsection (a) above) are paid in full in cash or United States dollar-denominated Cash Equivalents, any such distribution to which Holders of Notes would be entitled but for this Article shall be made to

holders of Senior Indebtedness (except that Holders of Notes may receive securities that are subordinated to at least the same extent as the Notes to (i) Senior Indebtedness and (ii) any securities issued in exchange for Senior Indebtedness), as their interests may appear.

SECTION 10.03 DEFAULT ON DESIGNATED SENIOR INDEBTEDNESS.

The Company may not make any payment of any kind or character or distribution to the Trustee of any Holder of Notes in respect of Obligations with respect to the Notes and may not acquire from the Trustee of any Holder of Noted any Notes for cash or property (other than (i) securities that are subordinated to at least the same extent as the Notes to (A) Senior Indebtedness and (B) any securities issued in exchange for Senior Indebtedness and (ii) payments and other distributions made from any defeasance trust created pursuant to Section 8.01 hereof) until all principal and other Obligations with respect to the Senior Indebtedness have been paid in full in cash or United Stated dollar-denominated Cash Equivalents if:

(a) a default in the payment of any principal or other Obligations with respect to Designated Senior Indebtedness occurs and is continuing, or

(b) a default, other than a payment default, on Designated Senior Indebtedness occurs and is continuing that then permits holders of the Designated Senior Indebtedness as to which such default relates to accelerate its maturity and the Trustee receives a notice of such default (a "Payment Blockage Notice") from (x) the Company or another Person who may give it pursuant to Section 10.10 hereof, or (y) so long as the Senior Discount Notes are outstanding, the holders of a majority of the principal amount of any Senior Discount Notes. No nonpayment default that existed or was continuing on the date of receipt of any Payment Blockage Notice by the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice unless such default shall have been cured or waived for a period of not less than 90 days (it being acknowledged that any subsequent action, or any breach of financial covenants for a period commencing after the date of the Trustee's receipt of the applicable Payment Blockage Notice that, in either case, would give rise to a default pursuant to any provision under which a default previously existed or was continuing shall constitute a new event of default for this purpose). Following a Payment Blockage Notice, the Company may resume payments on and distributions in respect of the Notes and may acquire them upon the earlier of: (x) the date upon which all defaults constituting the basis for such Payment Blockage Notice are cured or waived, or (y) 179 days pass after the date on which the applicable Payment Blockage Notice is received by the Trustee (unless the maturity of such Designated Senior Indebtedness has been accelerated, or unless this Article otherwise does not permit the payment, distribution or acquisition at the time of such payment or acquisition). In no event shall more than one period of payment blockage pursuant to this Section 10.03(b) be made in any 360 consecutive day period. Following the expiration of any period during which the Company is prohibited from making payments on the Notes pursuant to a Payment Blockage Notice, the Company may resume making any and all required payments in respect of the Notes, including without limitation any missed payments.

SECTION 10.04 ACCELERATION OF NOTES

If payment of the Notes is accelerated because of an Event of Default, the Company and (if a Responsible Officer of the Trustee has knowledge thereof) the Trustee shall promptly notify holders of Senior Indebtedness of the acceleration.

SECTION 10.05 WHEN DISTRIBUTION MUST BE PAID OVER

In the event that the Trustee, the Paying Agent or any Holder of Notes receives any payment of any Obligations with respect to the Notes at a time when the Trustee, the Payment Agent or such Holder of Notes, as applicable, has actual knowledge that such payment is prohibited by Section 10.03 hereof, such payment shall be held by the Trustee, the Paying Agent or such Holder of Notes, in trust for the benefit of, and shall be paid forthwith over and delivered, upon written request, to, the holders of Senior Indebtedness as their interests may appear or their Representative under the indenture or other agreement (if any) pursuant to which Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all Obligations in cash or United States dollar-denominated Cash Equivalents with respect to Senior Indebtedness remaining unpaid to the extent necessary to pay such Obligations in full in accordance with their terms, after giving effect to any concurrent payment or distribution to the holders of Senior Indebtedness.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article 10, and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to own any fiduciary duty to the holders of Senior Indebtedness, and shall not be liable to any such holders if the Trustee shall pay over or distribute to or on behalf of Holder of Notes or the Company or any other Person money or assets to which any holders of Senior Indebtedness shall be entitled by virtue of this Article 10, except if such payment is made as a result of the willful misconduct or gross negligence of the Trustee.

SECTION 10.06 NOTICE BY COMPANY

The Company shall promptly notify the Trustee and the Paying Agent (with a copy of the Senior Discount Note Trustee) of any facts known to the Company that would cause a payment of any Obligations with respect to the Notes to violate this Article, but failure to give such notice shall not affect the subordination of the Notes to the Senior Indebtedness as provided in this Article.

SECTION 10.07 SUBROGATION

After all Senior Indebtedness is paid in full in cash or United States dollar-denominated Cash Equivalents, and until the Notes are paid in full, Holders of Notes shall be subrogated (equally and ratably with all other Indebtedness pari passu with the Notes) to the rights of holders of Senior Indebtedness to receive distributions applicable to Senior Indebtedness to the extent that distributions otherwise payable to the Holder of Notes have been applied to the payment of Senior Indebtedness. A distribution made under this Article to holders of Senior Indebtedness that otherwise would have

been made to Holders of Notes is not, as between the Company and Holder of Notes, a payment by the Company on the Notes.

SECTION 10.08 RELATIVE RIGHTS

This Article defines the relative rights of Holders of Notes and holders of Senior Indebtedness. Nothing in this Indenture shall:

(a) impair, as between the Company and Holders of Notes, the obligation of the Company, which is absolute and unconditional, to pay principal of and interest on the Notes in accordance with their terms;

(b) affect the relative rights of Holders of Notes and creditors of the Company other than their rights in relation to holders of Senior Indebtedness; or

(c) prevent the Trustee or any Holder of Notes from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders and owners of Senior Indebtedness to receive distributions and payments otherwise payable to Holders of Notes, and subject to Article 6.

SECTION 10.09 SUBORDINATION MAY NOT BE IMPAIRED BY COMPANY.

No right of any holder of Senior Indebtedness to enforce the subordination of the Indebtedness evidenced by the Notes shall be prejudiced or impaired by any act or failure to act by the Company or any such holder or by the failure of the Company or any such holder to comply with this Indenture regardless of any knowledge thereof which any such holder thereof may have or otherwise be charged.

Without limiting the generality of the preceding paragraph, the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders without incurring responsibility to the Holders and without impairing or releasing the subordination provided in this Article 10 or the obligations hereunder of the Holders to the holders of Senior Indebtedness, do any one or more of the following: (1) change the manner, place, terms or time of payment of, or renew or alter, Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding; (2) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness; (3) release any person liable in any manner for the collection or payment of Senior Indebtedness; and (4) exercise or refrain from exercising any rights against the Company and any other person.

SECTION 10.10 DISTRIBUTION OR NOTICE TO REPRESENTATIVE

Whenever a distribution is to be made or a notice given to holders of Senior Indebtedness, the distribution may be made and the notice given to their Representative.

Upon any payment or distribution of assets of the Company referred to in this Article 10, the Trustee and the Holders of Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of such Representative or of the liquidating

trustee or agent making any distribution to the Trustee or to the Holders of Notes for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10.

SECTION 10.11 RIGHTS OF TRUSTEE AND PAYING AGENT

The Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment or distribution by the Trustee, and the Trustee and the Paying Agent may continue to make payments on the Notes, unless the Trustee shall have received at its Corporate Trust Office prior to the date of such payment written notice of facts that would cause the payment of any Obligations with respect to the Note to violate this Article. Only the Company or a Representative may give the notice. Nothing in this Article 10 shall impair the claims of, or payments to, the Trustee under or pursuant to Section 7.07 hereof.

The Trustee in its individual or any other capacity may hold Senior Indebtedness with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 10.12 AUTHORIZATION TO EFFECT SUBORDINATION

Each Holder of a Note by the Holder's acceptance thereof authorizes and directs the Trustee on the Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 10, and appoints the Trustee to act as the Holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 6.09 hereof at least 30 days before the expiration of the time to file such claim, the Representative is hereby authorized to file an appropriate claim for and on behalf of the Holders of the Notes.

SECTION 10.13 PAYMENT

A payment on account of or with respect to any Note shall include, without limitation, any direct or indirect payment or prepayment of principal, premium or interest with respect to or in connection with any optional redemption or repurchase provisions, any direct or indirect payment payable by reason of any other Indebtedness or Obligation being subordinated to the Notes, and any direct or indirect payment or recovery on any claim as a Holder relating to or arising out of this Indenture or any Note, or the issuance of any Note, or the transactions contemplated by this Indenture or referred to herein.

SECTION 10.14 REINSTATEMENT

The provisions of this Article 10 shall continue to be effective or be reinstated, and the Senior Indebtedness shall not be deemed to be a paid in full, as the case may be, if at any time any payment of any of the Senior Indebtedness is rescinded or must otherwise be returned by the holder thereof upon the insolvency, bankruptcy or reorganization of the Company or otherwise, all as though such payment had not been made.

SECTION 10.15 AMENDMENTS

The provisions of this Article 10 shall not be amended or modified in any manner that is adverse to the holders of any Senior Indebtedness without the written consent of the holders of a majority in outstanding principal amount of such Senior Indebtedness.

ARTICLE 11
MISCELLANEOUS

SECTION 11.01 TRUST INDENTURE ACT CONTROLS

If any provision of this Indenture limits, qualifies or conflict with the duties imposed by TIA Section 318(c), the imposed duties shall control.

SECTION 11.02 NOTICES

Any notice or communication by the Company or the Trustee to the others is duly given if in writing and delivered in Person or mailed by first class mail (registered or certified, return receipt requested), telex, telecopier or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Company:

Big 5 Holdings Corp.
2525 E. El Segundo Boulevard
El Segundo, California 90245-4632
Phone No.: (310) 536-0611
Telecopier No.: (310) 297-7595
Attention: Robert W. Miller
Chief Executive Officer

With a copy to:

Irell & Manella LLP
333 South Hope Street, Suite 3300
Los Angeles, California 90071-3042
Phone No.: (213) 620-1555
Telecopier No.: (213) 229-0514
Attention: Edmund M. Kaufman, Esq.

If to the Trustee:

[NAME]

Phone No.:

Telecopier No.:

Attention: Corporate Trust Department

The Company, the Trustee, or the Senior Discount Note Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA Section 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 11.03 COMMUNICATION BY HOLDERS OF NOTES WITH OTHER HOLDERS OF NOTES.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 11.04 RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 11.05 NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHERS.

No past, present or future director, officer, employee, agent, manager, incorporator, stockholder or other Affiliate of the Company, as such, shall have any liability for any obligations

of the Company under any of the Notes or this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

SECTION 11.06 GOVERNING LAW

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE AND THE NOTES.

SECTION 11.07 NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 11.08 SUCCESSORS

All agreements of the Company in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.09 SEVERABILITY

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 11.10 COUNTERPART ORIGINALS

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 11.11 TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have executed this _____ _____.

BIG 5 HOLDINGS CORP.

By:

Name:
Title:

Attest:

- ---

[NAME]

By:

Name:
Title:

Attest:

(SEAL)

- ---

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EXHIBIT A
(Face of Note)

[FOR PURPOSES OF SECTION 1272, 1273 AND 1275 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND PURSUANT TO SECTION 1.1275-3(b), THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT, THE ISSUE PRICE OF THIS NOTE IS ____% OF ITS PRINCIPAL AMOUNT, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ON THIS NOTE IS $_____ PER $1,000 OF STATED FACE AMOUNT, THE ISSUE DATE IS _____, ____ AND THE YIELD TO MATURITY IS ____%.] [Include if necessary.]

THESE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS (i) A REGISTRATION STATEMENT UNDER THE ACT SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO AND ALL APPLICABLE QUALIFICATIONS UNDER STATE SECURITIES LAWS SHALL HAVE BEEN OBTAINED WITH RESPECT THERETO; OR (ii) A WRITTEN OPINION OF COUNSEL FOR THE HOLDER REASONABLY SATISFACTORY TO THE COMPANY HAS BEEN OBTAINED STATING THAT NO SUCH REGISTRATION OR QUALIFICATION IS REQUIRED.

13.45% Subordinated Exchange Debentures due 2009

No. $_____
CUSIP #_____

BIG 5 HOLDINGS CORP.

promises to pay to

or registered assigns,

the principal sum of

Dollars on November 13, 2009

Interest Payment Dates: June 15 and December 15 commencing on _____.

Record Dates: May 15 and November 15

Dated:

BIG 5 HOLDINGS CORP.

By:

Name:
Title:

(SEAL)

This is one of the Notes referred to
in the within-mentioned Indenture:

[NAME]
as Trustee

By:

Authorized Signatory

- ---

(Back of Note)

13.45% Subordinated Exchange Debentures due 2009

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. INTEREST. Big 5 Holdings Corp., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Note at 13.45% per annum from the date of issuance until maturity. The Company will pay interest semi-annually on June 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be _____ [the first Interest Payment Date following the date of issuance]. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. METHOD OF PAYMENT. The Company will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the record date or next preceding Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. With respect to any interest payable on any Interest Payment Date on or before December 15, 2004, the amount payable as interest on such Interest Payment Date may, at the option of the Company, be paid in cash or by increasing the then principal amount of the Notes by the amount of such interest payment (rounded to the nearest whole cent). Such increase in the then stated principal amount of the Notes shall constitute full payment of such interest. In the event the Company does not make an interest payment in cash on any Interest Payment Date on or before December 15, 2004, the Company shall be deemed to have satisfied such payment by increase in the then stated principal amount of the Notes. Interest payable on any Interest Payment Date after December 15, 2004 shall be paid only in cash. With respect to principal, interest and premium, if any, payable on an Interest Payment Date after December 15, 2004 which is not paid in cash on the Interest Payment Date, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1.0% per annum in excess of the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. The Notes will be payable as to principal, premium and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest, to the extent paid in cash, may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of next day funds will be required with respect to principal of and interest and premium, if any, on all Notes the Holders of which shall have

provided wire transfer instructions to the Company nor the Paying Agent. The Company will pay principal and (except as provided above) interest in such coin or currency of the United Sates of America as at the time of payment is legal tender for payment of public and private debts.

3. PAYING AGENT AND REGISTRAR. Initially, [NAME], the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in such capacity.

4. INDENTURE. The Company issued the Notes under an Indenture dated as of _____, ____ (the "Indenture") between the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. The Notes are general unsecured obligations of the Company limited in aggregate principal amount to the aggregate liquidation preference of the Series A Preferred Stock, plus accumulated and unpaid dividends, on the date the Notes are issued.

5. SUBORDINATION OF NOTES. The Indebtedness evidenced by the Notes is, to the extent and in the manner provided in the Indenture, subordinate and subject in right of payment to the prior payment in full in cash or Cash Equivalents of all Senior Indebtedness as defined in the Indenture (whether outstanding on the date hereof or hereafter created, incurred, assumed or guaranteed), and this Note is issued subject to such provisions. Each Holder of this Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary to or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Trustee attorney-in-fact of such Holder for such purpose.

6. OPTIONAL REDEMPTION.

(a) Except as set forth in clause (b) of this paragraph 6, the Company shall not have the option to redeem the Notes pursuant to this paragraph 6 prior to November 13, 2002. Thereafter, subject to paragraph 8, the Company shall have the option to redeem the Notes, in whole or in part, at the redemption prices (expressed as percentages of the then principal amount) set forth below plus accrued and unpaid interest to the applicable redemption date, if redeemed during the twelve-month period beginning on November 13, of the years indicated below:

Year	Percentage
2002	106.725%
2003	105.380%
2004	104.035%
2005	102.690%
2006	101.345%
2007 and thereafter	100.000%

(b) Notwithstanding the provisions of clause (a) of this paragraph 6, at any time on or prior to November 13, 2002, the Company may, at its option on one or more occasions, redeem any or all of the Notes originally outstanding at a redemption price equal to 110% of the then stated principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of any underwritten public offering of its common stock.

7. MANDATORY REDEMPTION.

Except as set forth in paragraph 8 below, the Company shall not be required to make mandatory redemption payments with respect to the Notes.

8. REPURCHASE AT OPTION OF HOLDER.

Subject to contractual restrictions thereon, if there is a Change of Control, the Company shall be required to make an offer (a "Change of Control Offer") to repurchase all or any part of each Holder's Notes at a purchase price equal to 101.0% of the then principal amount thereof plus accrued and unpaid interest to the date of purchase on a date that is not more than 90 days after the occurrence of such Change of Control. Within 30 days following any Change of Control, the Company shall mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

9. NOTICE OF REDEMPTION. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $100 may be redeemed in part but only in whole multiples of $100, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

10. DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $100 and integral multiples of $100; provided, however, that in connection with the original issuance of Notes hereunder in exchange for shares of the Series A Preferred Stock or the transfer of Notes with respect to which the principal amount thereof has been increased in accordance with the provisions of the Indenture, the Company may elect to issue Notes in denominations that are not integral multiples of $100 or that are less than $100. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

11. PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

12. UNCLAIMED MONEY. If money for the payment of principal or interest remains unclaimed for one year, the Trustee and the Paying Agent will pay the money back to the Company at its request. After that, all liability of the Trustee and such Paying Agent with respect to such money shall cease.

13. DISCHARGE PRIOR TO REDEMPTION OR MATURITY. If the Company at any time deposits with the Trustee money or U.S. Government Obligations sufficient to pay the principal of and interest on the Notes to redemption or maturity and complies with the other provisions of the Indenture relating thereto, the Company will be discharged from certain provisions of the Indenture and the Notes (including the financial covenants, but excluding its obligations to pay the principal of and interest on the Securities).

14. AMENDMENT, SUPPLEMENT AND WAIVER. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in then principal amount of the then outstanding Notes, and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in then principal amount of the then outstanding Notes. Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of the Notes in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, or to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act as then in effect.

15. DEFAULTS AND REMEDIES. Events of Default include: (i) default for 30 days in the payment when due of interest on the Notes (whether or not prohibited by the subordination provisions of the Indenture); (ii) default in payment of the principal of or premium, if any, on the Notes when due, whether at maturity, upon redemption, in the event of repurchase pursuant to a Change of Control Offer, or otherwise (whether or not prohibited by the subordination provisions of the Indenture); (iii) failure by the Company for 30 days after requisite written notice to comply with any of its other agreements in the Indenture or the Notes from the Trustee or the Holders of at least 25.0% of the then outstanding principal amount of the Notes, which written notice shall specify the default and demand that such default be remedied; (iv) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Subsidiaries (or the payment of which is guaranteed by the Company or any of its Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default (a) is caused by a failure to pay at stated final maturity principal on such Indebtedness when due (giving effect to any extensions thereof) (a "Payment Default") or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in the case of the foregoing clauses (a) and (b), the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $5.0 million or more; (v) failure by the Company or the Principal Subsidiary to pay final judgments which judgments are not paid, discharged or stayed within a period of 60 days; provided that the aggregate of all such unpaid and undischarged judgements exceeds $5.0

million at any one time with respect to the Company or the Principal Subsidiary; and (vi) certain events of bankruptcy or insolvency with respect to the Company or the Principal Subsidiary. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25.0% in the then principal amount of the then outstanding Notes may declare all the Notes to be due and payable; provided that, so long as any Senior Discount Notes are outstanding, such acceleration shall not be effective until the earlier of (i) acceleration of any such Indebtedness under the Senior Discount Notes or (ii) five Business Days after receipt by the Company of written notice of such acceleration. Notwithstanding the foregoing, in the event of any Event of Default specified in clause (iv), such Event of Default and all consequences thereof (including without limitation any acceleration pursuant to Section 6.02 of the Indenture or resulting payment default) shall be annulled, waived and rescinded, automatically and without any action by the Trustee or any Holder, if within 30 days after such Event of Default arose (x) the Indebtedness or guaranty that is the basis for such Event of Default has been discharged, or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default, or (z) if the default that is the basis for such Event of Default has been cured. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency of the Company, all outstanding Notes will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in then principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in the then aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

16. TRUSTEE DEALINGS WITH COMPANY. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

17. NO RECOURSE AGAINST OTHERS. A director, officer, employee, agent, manager, incorporator, stockholder or other Affiliate, of the Company, as such, shall not have any liability for any obligations of the Company under any of the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

18. AUTHENTICATION. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

19. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT

TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

20. CUSIP NUMBERS. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Big 5 Holdings Corp.
2525 E. El Segundo Boulevard
El Segundo, California 90245-4632
Phone No.: (310) 536-0611
Telecopier No.: (310) 297-7595
Attention: Robert W. Miller
Chief Executive Officer

ASSIGNMENT FORM

To assign this Note, fill in the form below: (I) or (we) assign and transfer this note to

- ---

(Insert assignee's soc. sec. or tax I.D. no.)

- ---

- ---

- ---

- ---

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

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

- ---

Date:

Your Signature:

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.06 of the Indenture, check the box below:

[ ] Section 4.06

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.06 of the Indenture, state the amount you elect to have purchased: $_____.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the Note)

Tax Identification No.: _____

Signature Guarantee.

EXHIBIT 3.1.1

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
BIG 5 HOLDINGS CORP.
a Delaware Corporation

Big 5 Holdings Corp., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "COMPANY"), DOES HEREBY CERTIFY:

1. That the Board of Directors of the Company, by unanimous written consent, adopted the following resolution:

RESOLVED, that the amendment of the Certificate of Incorporation of the Company be, and it hereby is, authorized, approved, and adopted by striking ARTICLE FIRST, and inserting in place thereof, the following:

"FIRST: The name of the corporation is Big 5 Sporting Goods Corporation."

2. That the said amendment has been consented to and authorized by the stockholders of the issued and outstanding stock entitled to vote by a written consent given in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

3. That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Sections 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Company has caused this Certificate to be signed, this 20th day of August, 2001.

BIG 5 HOLDINGS CORP.

By: /s/ GARY S. MEADE

Gary S. Meade, Senior Vice President

EXHIBIT 3.2

BIG 5 HOLDINGS CORP.

BYLAWS

TABLE OF CONTENTS

		Page
ARTICLE I	OFFICES	1
Section 1.	Registered Office	1
Section 2.	Other Offices	1
ARTICLE II	MEETINGS OF STOCKHOLDERS	1
Section 1.	Place of Meetings	1
Section 2.	Annual Meetings	1
Section 3.	Special Meetings.	1
Section 4.	Notice of Meetings	2
Section 5.	Quorum; Adjournment	2
Section 6.	Proxies and Voting	2
Section 7.	Stock List	3
Section 8.	Actions by Stockholders	3
ARTICLE III	BOARD OF DIRECTORS	3
Section 1.	Duties and Powers	3
Section 2.	Number and Term of Office	3
Section 3.	Vacancies	4
Section 4.	Meetings	4
Section 5.	Quorum	4
Section 6.	Actions of Board Without a Meeting	4
Section 7.	Meetings by Means of Conference Telephone.	4

Page

Section 8. Committees.....5

Section 9. Compensation. 5

Section 10. Removal.....5

ARTICLE IV OFFICERS.....5

Section 1. General.....5

Section 2. Election; Term of Office.....6

Section 3. Chairman of the Board.....6

Section 4. President.....6

Section 5. Vice President.....6

Section 6. Secretary.....6

Section 7. Assistant Secretaries.....7

Section 8. Treasurer.....7

Section 9. Assistant Treasurers.....7

Section 10. Other Officers.....7

ARTICLE V STOCK 8

Section 1. Form of Certificates.....8

Section 2. Signatures.....8

Section 3. Lost Certificates.....8

Section 4. Transfers.....8

Section 5. Record Date.....8

Section 6. Beneficial Owners.....9

Section 7. Voting Securities Owned by the Corporation.....9

Page

ARTICLE VI NOTICES.....9

Section 1. Notices.....9

Section 2. Waiver of Notice.....9

ARTICLE VII GENERAL PROVISIONS.....10

Section 1. Dividends.....10

Section 2. Disbursements.....10

Section 3. Corporation Seal.....10

ARTICLE VIII DIRECTORS' LIABILITY AND INDEMNIFICATION.....10

Section 1. Directors' Liability.....10

Section 2. Right to Indemnification.....11

Section 3. Right of Claimant to Bring Suit.....11

Section 4. Non-Exclusivity of Rights.....12

Section 5. Insurance and Trust Fund.....12

Section 6. Indemnification of Employees and Agents of the Corporation.....12

Section 7. Amendment.....12

ARTICLE IX AMENDMENTS.....12

BYLAWS

OF

BIG 5 HOLDINGS CORP.
(hereinafter called the "Corporation")

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Dover, County of Kent, State of Delaware.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The Annual Meetings of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall elect by a plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting.

Section 3. Special Meetings. Special meetings of the stockholders may be called by the Board of Directors, the Chairman of the Board, the President, or by the holders of shares entitled to cast not less than 10% of the votes at the meeting. Upon request in writing to the Chairman of the Board, the President, any Vice President or the Secretary by any person (other than the board) entitled to call a special meeting of stockholders, the officer forthwith shall cause notice to be given to the stockholders entitled to vote that a meeting will be held at a time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within 20 days after receipt of the request, the persons entitled to call the meeting may give the notice.

Section 4. Notice of Meetings. Written notice of the place, date, and time of all meetings of the stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation.

Section 5. Quorum; Adjournment. At any meeting of the stockholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law or the Certificate of Incorporation. If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time without notice other than announcement at the meeting, until a quorum shall be present or represented.

When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 6. Proxies and Voting. At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing filed in accordance with the procedure established for the meeting.

Each stockholder shall have one vote for every share of stock entitled to vote which is registered in his name on the record date for the meeting, except as otherwise provided herein or required by law or the Certificate of Incorporation.

All voting, including on the election of directors but excepting where otherwise provided herein or required by law or the Certificate of Incorporation, may be by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or such stockholder's proxy, a stock vote shall be taken. Every stock vote shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. Every vote taken by ballots shall be counted by an inspector or inspectors appointed by the chairman of the meeting.

All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law or the Certificate of Incorporation, all other matters shall be determined by a majority of the votes cast.

Section 7. Stock List. A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in such stockholder's name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

The stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

Section 8. Actions by Stockholders. Unless otherwise provided in the Certificate of Incorporation, any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 2. Number and Term of Office. The Board of Directors shall consist of one (1) or more members. The number of directors shall be fixed and may be changed from time to time by resolution duly adopted by the Board of Directors or the stockholders, except as otherwise provided by law or the Certificate of Incorporation. Except as provided in Section 3 of this Article, directors shall be elected by the holders of record of a plurality of the votes cast at Annual Meetings of Stockholders, and each director so elected shall hold office until the next Annual Meeting and until his or her successor is duly elected and qualified, or until his or her earlier resignation or removal. Any director may resign at any time upon written notice to the Corporation. Directors need not be stockholders.

Section 3. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director or by the stockholders entitled to vote at any Annual or Special Meeting held in accordance with Article II, and the directors so chosen shall hold office until the next Annual or Special Meeting duly called for that purpose and until their successors are duly elected and qualified, or until their earlier resignation or removal.

Section 4. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. The first meeting of each newly-elected Board of Directors shall be held immediately following the Annual Meeting of Stockholders and no notice of such meeting shall be necessary to be given the newly-elected directors in order legally to constitute the meeting, provided a quorum shall be present. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President or a majority of the directors then in office. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances. Meetings may be held at any time without notice if all the directors are present or if all those not present waive such notice in accordance with Section 2 of Article VI of these Bylaws.

Section 5. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of the Board of Directors, a majority of the directors then in office shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 6. Actions of Board Without a Meeting. Unless otherwise provided by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 7. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these Bylaws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all

persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 7 shall constitute presence in person at such meeting.

Section 8. Committees. The Board of Directors may, by resolution passed by a majority of the directors then in office, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any committee, to the extent allowed by law and provided in the Bylaw or resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 9. Compensation. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 10. Removal. Unless otherwise restricted by the Certificate of Incorporation or Bylaws, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of shares entitled to vote at an election of directors.

ARTICLE IV

OFFICERS

Section 1. General. The officers of the Corporation shall be appointed by the Board of Directors and shall consist of a Chairman of the Board or a President, or both, a Secretary and a Treasurer (or a position with the duties and responsibilities of a Treasurer). The Board of Directors may also appoint one or more vice presidents, assistant secretaries or assistant treasurers, and such other officers as the Board of Directors, in its discretion, shall deem necessary or appropriate from time to time. Any

number of offices may be held by the same person, unless the Certificate of Incorporation or these Bylaws otherwise provide.

Section 2. Election; Term of Office. The Board of Directors at its first meeting held after each Annual Meeting of Stockholders shall elect a Chairman of the Board or a President, or both, a Secretary and a Treasurer (or a position with the duties and responsibilities of a Treasurer), and may also elect at that meeting or any other meeting, such other officers and agents as it shall deem necessary or appropriate. Each officer of the Corporation shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors together with the powers and duties customarily exercised by such officer; and each officer of the Corporation shall hold office until such officer's successor is elected and qualified or until such officer's earlier resignation or removal. Any officer may resign at any time upon written notice to the Corporation. The Board of Directors may at any time, with or without cause, by the affirmative vote of a majority of directors then in office, remove any officer.

Section 3. Chairman of the Board. The Chairman of the Board, if there shall be such an officer, shall be the chief executive officer of the Corporation. The Chairman of the Board shall preside at all meetings of the stockholders and the Board of Directors and shall have such other duties and powers as may be prescribed by the Board of Directors from time to time.

Section 4. President. The President shall be the chief operating officer of the Corporation, shall have general and active management of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall have and exercise such further powers and duties as may be specifically delegated to or vested in the President from time to time by these Bylaws or the Board of Directors. In the absence of the Chairman of the Board or in the event of his inability or refusal to act, or if the Board has not designated a Chairman, the President shall perform the duties of the Chairman of the Board, and when so acting, shall have all of the powers and be subject to all of the restrictions upon the Chairman of the Board.

Section 5. Vice President. In the absence of the President or in the event of his inability or refusal to act, the Vice President (or in the event there be more than one vice president, the vice presidents in the order designated by the directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The vice presidents shall perform such other duties and have such other powers as the Board of Directors or the President may from time to time prescribe.

Section 6. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be

given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the President. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 7. Assistant Secretaries. Except as may be otherwise provided in these Bylaws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, or the Secretary, and shall have the authority to perform all functions of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 8. Treasurer. The Treasurer shall be the Chief Financial Officer, shall have the custody of the corporate funds and securities, shall keep complete and accurate accounts of all receipts and disbursements of the Corporation, and shall deposit all monies and other valuable effects of the Corporation in its name and to its credit in such banks and other depositories as may be designated from time to time by the Board of Directors. The Treasurer shall disburse the funds of the Corporation, taking proper vouchers and receipts for such disbursements, and shall render to the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his or her transactions as Treasurer and of the financial condition of the Corporation. The Treasurer shall, when and if required by the Board of Directors, give and file with the Corporation a bond, in such form and amount and with such surety or sureties as shall be satisfactory to the Board of Directors, for the faithful performance of his or her duties as Treasurer. The Treasurer shall have such other powers and perform such other duties as the Board of Directors or the President shall from time to time prescribe.

Section 9. Assistant Treasurers. Except as may be otherwise provided in these Bylaws, Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, or the Treasurer, and shall have the authority to perform all functions of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer.

Section 10. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be

assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V

STOCK

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board or the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such holder in the Corporation.

Section 2. Signatures. Any or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or such owner's legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued.

Section 5.Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more

than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

Section 7. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chairman of the Board, the President, any Vice President or the Secretary and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

ARTICLE VI

NOTICES

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at such person's address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable and such notice shall be deemed to be given at the time of receipt thereof if given personally or at the time of transmission thereof if given by telegram, telex or cable.

Section 2. Waiver of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these Bylaws to be given to any director, member or a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting or by any Committee of the Board of Directors having such authority at any meeting thereof, and may be paid in cash, in property, in shares of the capital stock or in any combination thereof. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All notes, checks, drafts and orders for the payment of money issued by the Corporation shall be signed in the name of the Corporation by such officers or such other persons as the Board of Directors may from time to time designate.

Section 3. Corporation Seal. The corporate seal, if the Corporation shall have a corporate seal, shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII

DIRECTORS' LIABILITY AND INDEMNIFICATION

Section 1. Directors' Liability. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of this provision shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

This Section 1 is also contained in Article SEVENTH of the Corporation's Certificate of Incorporation, and accordingly, may be altered, amended or repealed only to the extent and at the time such Certificate Article is altered, amended or repealed.

Section 2. Right to Indemnification. Each person who was or is made a party to or is threatened to be made a party to or is involuntarily involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation, or is or was serving (during his or her tenure as director and/or officer) at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, whether the basis of such Proceeding is an alleged action or inaction in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law (or other applicable law), as the same exists or may hereafter be amended, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection with such Proceeding. Such director or officer shall have the right to be paid by the Corporation for expenses incurred in defending any such Proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law (or other applicable law) requires, the payment of such expenses in advance of the final disposition of any such Proceeding shall be made only upon receipt by the Corporation of an undertaking by or on behalf of such director or officer to repay all amounts so advanced if it should be determined ultimately that he or she is not entitled to be indemnified under this Article or otherwise.

Section 3. Right of Claimant to Bring Suit. If a claim under Section 2 of this Article is not paid in full by the Corporation within ninety (90) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, together with interest thereon, and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim, including reasonable attorneys' fees incurred in connection therewith. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law (or other applicable law) for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (or of its full Board of Directors, its directors who are not parties to the Proceeding with respect to which indemnification is claimed, its stockholders, or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law (or other applicable law), nor an actual determination by any such person or persons that such claimant has not met such applicable standard of conduct, shall be a defense to such action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 4. Non-Exclusivity of Rights. The rights conferred by this Article shall not be exclusive of any other right which any director, officer, representative, employee or other agent may have or hereafter acquire under the Delaware General Corporation Law or any other statute, or any provision contained in the Corporation's Certificate of Incorporation or Bylaws, or any agreement, or pursuant to a vote of stockholders or disinterested directors, or otherwise.

Section 5. Insurance and Trust Fund. In furtherance and not in limitation of the powers conferred by statute:

(1) the Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of law; and

(2) the Corporation may create a trust fund, grant a security interest and/or use other means (including, without limitation, letters of credit, surety bonds and/or other similar arrangements), as well as enter into contracts providing indemnification to the fullest extent permitted by law and including as part thereof provisions with respect to any or all of the foregoing, to ensure the payment of such amount as may become necessary to effect indemnification as provided therein, or elsewhere.

Section 6. Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, including the right to be paid by the Corporation the expenses incurred in defending any Proceeding in advance of its final disposition, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VIII or otherwise with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Section 7. Amendment. Any repeal or modification of this Article VIII shall not change the rights of an officer or director to indemnification with respect to any action or omission occurring prior to such repeal or modification.

ARTICLE IX

AMENDMENTS

Except as otherwise specifically stated within an Article to be altered, amended or repealed, these Bylaws may be altered, amended or repealed and new Bylaws may be adopted at any meeting of the Board of Directors or of the stockholders, provided notice of the proposed change was given in the notice of the meeting.

The undersigned, as the Incorporator of Big 5 Holdings Corp. hereby adopts the foregoing Bylaws as the Bylaws of said corporation.

Dated as of October 31, 1997.

/s/ S. A. Morgan

S. A. Morgan, Incorporator

The undersigned, constituting the Board of Directors of Big 5 Holdings Corp. hereby adopt the foregoing Bylaws as the Bylaws of said corporation.

Dated as of October 31, 1997.

/s/ Robert W. Miller

Robert W. Miller, Director

/s/ Steven G. Miller

Steven G. Miller, Director

/s/ Michael D. Miller

Dr. Michael D. Miller, Director

/s/ John Danhakl

John G. Danhakl, Director

/s/ Jonathan A. Seiffer

Jonathan A. Seiffer, Director

THIS IS TO CERTIFY:

That I am the duly elected, qualified and acting Secretary of Big 5 Holdings Corp. and that the foregoing Bylaws were adopted as the Bylaws of said corporation as of the 31st day of October, 1997, by the Board of Directors of said corporation.

Dated as of October 31, 1997.

/s/ GARY S. MEADE

GARY S. MEADE, SECRETARY

AMENDMENT NO. 1 TO BYLAWS
OF
BIG 5 HOLDINGS CORP.

Resolution Adopted by the Board of Directors
November 15, 2000

Resolution Amending Bylaws

RESOLVED, that the Bylaws of this corporation are hereby amended as follows:

1. Article IV, Section 1 of the Bylaws is hereby amended by deleting the entirety thereof and inserting the following in its place:

"Section 1. General. The officers of the Corporation shall be appointed by the Board of Directors and shall consist of a Chairman of the Board or a President, or both, a Secretary and a Treasurer (or a position with the duties and responsibilities of a Treasurer). The Board of Directors, the Chairman or the President may also appoint one or more vice presidents, assistant secretaries or assistant treasurers, and such other officers as they, in their discretion, shall deem necessary or appropriate from time to time. Any number of offices may be held by the same person, unless the Certificate of Incorporation or these Bylaws otherwise provide."

2. Article IV, Section 2 of the Bylaws is hereby amended by deleting the entirety thereof and inserting the following in its place:

"Section 2. Election: Term of Office. The Board of Directors at its first meeting held after each Annual Meeting of Stockholders shall elect a Chairman of the Board or a President, or both, a Secretary and a Treasurer (or a position with the duties and responsibilities of a Treasurer), and may also elect at that meeting or any other meeting such other officers and agents as it shall deem necessary or appropriate. Each officer of the Corporation shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors, the Chairman of the Board or the President, together with the powers and duties customarily exercised by such officer; and each officer of the Corporation shall hold office until such officer's successor is elected and qualified or until such officer's earlier resignation or removal. Any officer may resign at any time upon written notice to the Corporation. The Board of Directors may at any time, with or without cause, by the affirmative vote of a majority of the directors then in office, remove any officer. The Chairman of the Board or the President may at any time, with or without cause, remove any officer except for the Chairman of the Board, the President, the Secretary and the Treasurer (or a position with the duties and responsibilities of a Treasurer)."

3. Article IV, Section 3 of the Bylaws is hereby amended by deleting the entirety thereof and inserting the following in its place:

"Section 3. Chairman of the Board. The Chairman of the Board, if there shall be such an officer, shall preside at all meetings of the stockholders and the Board of Directors and shall have such other duties and powers as may be prescribed by the Board of Directors from time to time."

4. Article IV, Section 4 of the Bylaws is hereby amended by deleting the entirety thereof and inserting the following in its place:

"Section 4. President. The President shall have general and active management of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall have and exercise such further powers and duties as may be specifically delegated to or vested in the President from time to time by these Bylaws or the Board of Directors. The Board of Directors shall appoint either the Chairman of the Board or the President to be the chief executive officer of the Corporation, who shall hold such position until his or her successor is appointed and qualified or until his or her earlier resignation or removal by the affirmative vote of a majority of directors then in office. In the absence of the chief executive officer or in the event of his or her inability or refusal to act, whichever of the Chairman of the Board or the President is not the chief executive officer shall perform the duties of the chief executive officer, and when so acting, shall have all of the powers and be subject to all of the restrictions upon the chief executive officer."

5. Article IV, Section 10 of the Bylaws is hereby amended by deleting the entirety thereof and inserting the following in its place:

"Section 10. Other Officers. Such other officers as the Board of Directors, the Chairman of the Board or the President may choose shall perform such duties and have such powers as from tine to time may be assigned to them by the Board of Directors, the Chairman of the Board or the President. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers."

THIS IS TO CERTIFY:

That I am the duly elected, qualified and acting Secretary of Big 5 Holdings Corp. and that the foregoing Amendment No. 1 to Bylaws was adopted as an amendment to the Bylaws of said corporation as of the 15th day of November, 2000, by the Board of Directors of said corporation.

Dated as of November 15, 2000.

/s/ Gary S. Meade

Gary S. Meade, Secretary

EXHIBIT 4.4

BIG 5 HOLDINGS CORP.

TO

FIRST TRUST NATIONAL ASSOCIATION
as Trustee

Indenture

Dated as of November 13, 1997

$48,225,000

Senior Discount Notes due 2008

Reconciliation and tie between Trust Indenture Act of 1939 and Indenture, dated as of November 13, 1997

Trust Indenture Act Section		Indenture Section
Section 310	(a)(1)	609
	(a)(2)	609
	(a)(3)	Not Applicable
	(a)(4)	Not Applicable
	(b)	608 610
Section 311	(a)	613 (a)
	(b)	613 (b)
	(b)(2)	703 (a) (2) 703 (b)
Section 312	(a)	701 702 (a)
	(b)	702 (b)
	(c)	702 (c)
Section 313	(a)	703 (a)
	(b)	703 (b)
	(c)	703 (a) 703 (b)
	(d)	703 (c)
Section 314	(a)	704
	(b)	Not Applicable
	(c)(1)	102
	(c)(2)	102
	(c)(3)	Not Applicable
	(d)	Not Applicable
	(e)	102
Section 315	(a)	601 (a)
	(b)	602 703 (a) (6)
	(c)	601 (b)
	(d)	601 (c)
	(d)(1)	601 (a) (1)
	(d)(2)	601 (c) (2)
	(d)(3)	601 (c) (3)
	(e)	514

Trust Indenture Act Section		Indenture Section
Section 316	(a)	101
	(a)(1)(A)	502 512
	(a)(1)(B)	513
	(a)(2)	Not Applicable
	(b)	508
Section 317	(a)(1)	503
	(a)(2)	504
	(b)	1003
Section 318	(a)	107

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

TABLE OF CONTENTS

		Page
ARTICLE ONE		
Definitions and Other Provisions of General Application		1
SECTION 101.	Definitions	1
SECTION 102.	Compliance Certificates and Opinions	31
SECTION 103.	Form of Documents Delivered to Trustee	32
SECTION 104.	Acts of Holders; Record Date	32
SECTION 105.	Notices, Etc., to Trustee and Company	34
SECTION 106.	Notice to Holders; Waiver	34
SECTION 107.	Conflict with Trust Indenture Act	35
SECTION 108.	Effect of Headings and Table of Contents	35
SECTION 109.	Successors and Assigns	35
SECTION 110.	Separability Clause	35
SECTION 111.	Benefits of Indenture	36
SECTION 112.	Governing Law	36
SECTION 113.	Legal Holidays	36
SECTION 114.	No Personal Liability of Partners, Stockholders, Officers, Directors	36
ARTICLE TWO		
Note Forms		37
SECTION 201.	Forms Generally	37
SECTION 202.	Form of Face of Note	37
SECTION 203.	Form of Trustee's Certificate of Authentication	40
SECTION 204.	Form of Reverse of Note	40
ARTICLE THREE		
The Notes		45
SECTION 301.	Title and Terms	46
SECTION 302.	Denominations	47
SECTION 303.	Execution, Authentication, Delivery and Dating	47
SECTION 304.	Temporary Notes	48
SECTION 305.	Registration, Registration of Transfer and Exchange	48

		Page
SECTION 306.	Mutilated, Destroyed, Lost and Stolen Notes	50
SECTION 307.	Payment of Interest; Interest Rights Preserved	51
SECTION 308.	Persons Deemed Owners	53
SECTION 309.	Cancellation	53
SECTION 310.	Computation of Interest	53
ARTICLE FOUR		
Satisfaction and Discharge		54
SECTION 401.	Satisfaction and Discharge of Indenture	54
SECTION 402.	Application of Trust Money	55
ARTICLE FIVE		
Remedies		55
SECTION 501.	Events of Default	55
SECTION 502.	Acceleration of Maturity; Rescission and Annulment	58
SECTION 503.	Collection of Indebtedness and Suits for Enforcement by Trustee	59
SECTION 504.	Trustee May File Proofs of Claim	60
SECTION 505.	Trustee May Enforce Claims Without Possession of Notes	61
SECTION 506.	Application of Money Collected	61
SECTION 507.	Limitation on Suits	62
SECTION 508.	Unconditional Right of Holders to Receive Principal, Premium and Interest	63
SECTION 509.	Restoration of Rights and Remedies	63
SECTION 510.	Rights and Remedies Cumulative	63
SECTION 511.	Delay or Omission Not Waiver	64
SECTION 512.	Control By Holders	64
SECTION 513.	Waiver of Past Defaults	64
SECTION 514.	Undertaking for Costs	65
SECTION 515.	Waiver of Stay or Extension Laws	65
ARTICLE SIX		
The Trustee		66
SECTION 601.	Certain Duties and Responsibilities	66
SECTION 602.	Notice of Defaults	66

		Page
SECTION 603.	Certain Rights of Trustee	66
SECTION 604.	Not Responsible for Recitals or Issuance of Notes	68
SECTION 605.	May Hold Notes	68
SECTION 606.	Money Held in Trust	68
SECTION 607.	Compensation and Reimbursement	69
SECTION 608.	Disqualification; Conflicting Interests	69
SECTION 609.	Corporate Trustee Required; Eligibility	69
SECTION 610.	Resignation and Removal; Appointment of Successor	70
SECTION 611.	Acceptance of Appointment by Successor	72
SECTION 612.	Merger, Conversion, Consolidation or Succession to Business	72
SECTION 613.	Preferential Collection of Claims Against Company	73
ARTICLE SEVEN		
Holders' Lists and Reports by Trustee and Company		73
SECTION 701.	Company to Furnish Trustee Names and Addresses of Holders	73
SECTION 702.	Preservation of Information; Communications to Holders	73
SECTION 703.	Reports by Trustee	74
SECTION 704.	Reports by Company	74
ARTICLE EIGHT		
Consolidation, Merger, Conveyance, Transfer or Lease		75
SECTION 801.	Limitation on Merger, Sale or Consolidation	75
SECTION 802.	Successor Substituted	76
SECTION 803.	Transfer of Subsidiary Assets	76
ARTICLE NINE		
Supplemental Indentures		77
SECTION 901.	Supplemental Indentures Without Consent of Holders	77
SECTION 902.	Supplemental Indentures with Consent of Holders	78

		Page
SECTION 903.	Execution of Supplemental Indentures	79
SECTION 904.	Effect of Supplemental Indentures	79
SECTION 905.	Conformity with Trust Indenture Act	79
SECTION 906.	Reference in Notes to Supplemental Indentures	80
ARTICLE TEN		
Covenants		80
SECTION 1001.	Payment of Principal, Premium and Interest	80
SECTION 1002.	Maintenance of Office or Agency	80
SECTION 1003.	Money for Note Payments to be Held in Trust	81
SECTION 1004.	Existence	83
SECTION 1005.	Maintenance of Properties	83
SECTION 1006.	Payment of Taxes and Other Claims	83
SECTION 1007.	Maintenance of Insurance	84
SECTION 1008.	Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock	84
SECTION 1009.	Limitation on Restricted Payments	86
SECTION 1010.	Limitations on Dividends and Other Payment Restrictions Affecting Subsidiaries	88
SECTION 1011.	Limitation on Liens	90
SECTION 1012.	Limitation on Transactions with Affiliates	90
SECTION 1013.	Limitation on Certain Sales of Capital Stock of Subsidiaries and Certain Assets	91
SECTION 1014.	Limitation on Issuances and Sales of Capital Stock of Wholly Owned Subsidiaries	96
SECTION 1015.	Change of Control	96
SECTION 1016.	Reserved	99
SECTION 1017.	Investment Company	99
SECTION 1018.	Statement by Officers as to Default; Compliance Certificates	100
SECTION 1019.	Waiver of Certain Covenants	100

		Page
ARTICLE ELEVEN		
Redemption of Notes		101
SECTION 1101.	Right of Redemption	101
SECTION 1102.	Applicability of Article	101
SECTION 1103.	Election to Redeem; Notice to Trustee	102
SECTION 1104.	Selection by Trustee of Notes to Be Redeemed	102
SECTION 1105.	Notice of Redemption	102
SECTION 1106.	Deposit of Redemption Price	103
SECTION 1107.	Notes Payable on Redemption Date	103
SECTION 1108.	Notes Redeemed in Part	104
ARTICLE TWELVE		
Defeasance and Covenant Defeasance		104
SECTION 1201.	Company's Option to Effect Defeasance or Covenant Defeasance	104
SECTION 1202.	Defeasance and Discharge	104
SECTION 1203.	Covenant Defeasance	105
SECTION 1204.	Conditions to Defeasance or Covenant Defeasance	106
SECTION 1205.	Deposited Money and U.S. Government Obligations to be Held in Trust; Other Miscellaneous Provisions	108
SECTION 1206.	Reinstatement	109

INDENTURE, dated as of November 13, 1997, between Big 5 Holdings Corp., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office at 2525 E. El Segundo Blvd., El Segundo, California 90245, and First Trust National Association, a national banking association duly organized and existing under the laws of the United States of America, as Trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the creation of an issue of its Senior Discount Notes due November 30, 2008 (the "Notes") of substantially the tenor and amount hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture.

All things necessary to make the Notes, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Notes as follows:

ARTICLE ONE

Definitions and Other Provisions
of General Application

SECTION 101. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP;

(4) unless otherwise specifically set forth herein, all calculations or determinations of a Person shall be performed or made on a consolidated basis in accordance with generally accepted accounting principles; and

(5) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Six, are defined in that Article.

"Accreted Value" has the meaning set forth in Section 502.

"Accrual Period" means the semi-annual periods ending on May 31 and November 30 in each year through and including November 30, 2002.

"Acquired Indebtedness" means Indebtedness or Disqualified Capital Stock of any person existing at the time such person becomes a Subsidiary of the Company, including by designation, or is merged or consolidated into or with the Company or one of its Subsidiaries.

"Acquisition" means the purchase or other acquisition of any person (including, without limitation, the acquisition of more than 50% of the Equity Interests of any person) or all or substantially all the assets of any person by any other person, whether by purchase, stock purchase, merger, consolidation, or other transfer, and whether or not for consideration.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Adjusted Issue Price" means (i) at the beginning of the first Accrual Period, the Issue Price, and (ii) thereafter, the Issue Price increased each day by the daily portion of Original Issue Discount.

"Affiliate" means any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company. For purposes of this definition, the term "control" means the power to direct the management and policies of a person, directly or through one or more intermediaries, whether through the ownership of voting securities, by contract, or otherwise, provided, that, with respect to ownership interest in the Company and its Subsidiaries, a Beneficial Owner of 10% or more of the total voting power normally entitled to vote in the election of directors, managers or trustees, as applicable, shall for such purposes be deemed to constitute control.

"Asset Sale" has the meaning set forth in Section 1013.

"Asset Sale Offer" has the meaning set forth in Section 1013.

"Average Life" means, as of the date of determination, with respect to any security or instrument, the quotient obtained by dividing (i) the sum of the products (a) of the number of months from the date of determination to the date or dates of each successive scheduled principal (or redemption) payment of such security or instrument and (b) the amount of each such respective principal (or redemption) payment by (ii) the sum of all such principal (or redemption) payments.

"Beneficial Owner" or "beneficial owner" for purposes of the definition of Change of Control and Affiliate has the meaning attributed to it in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date), whether or not applicable.

"Board of Directors" means, with respect to any person, the board of directors of such person or any committee of the Board of Directors of such person

authorized, with respect to any particular matter, to exercise the power of the board of directors of such person.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York, New York are authorized or obligated by law or executive order to close.

"Capital Contribution" means a contribution of cash, Cash Equivalents or property (tangible or intangible) to the consolidated stockholder's equity of the Company solely in exchange for, if anything, shares of the Company's capital stock other than Disqualified Capital Stock.

"Capitalized Lease Obligation" means, as to any person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

"Capital Stock" means, with respect to any corporation, any and all shares, interests, rights to purchase (other than convertible or exchangeable Indebtedness that is not itself otherwise capital stock), warrants, options, participations or other equivalents of or interests (however designated) in stock issued by that corporation.

"Cash Equivalent" means (a) securities issued or directly and fully guaranteed or insured by the United States Government, or any agency or instrumentality thereof, having maturates of not more than one year from the date of acquisition; (b) marketable general obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition thereof, having a credit rating of "A" or better from either standard & Poor's Ratings Group or Moody's Investors Service, Inc.;

(c) certificates of deposit, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof of any domestic commercial bank, the long-term debt of which is rated at the time of acquisition thereof at least A or the equivalent thereof by Standard & Poor's Ratings Group, or A or the equivalent thereof by Moody's Investors Service, Inc. and having capital and surplus in excess of $500,000,000; (d) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (a), (b) and (c) above entered into with any bank meeting the qualifications specified in clause (c) above; (e) commercial paper rated at the time of acquisition thereof at least A-2 or the equivalent thereof by Standard & Poor's Ratings Group or P-2 or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in either case maturing within 270 days after the date of acquisition thereof; and (f) interests in any investment company which invests solely in instruments of the type specified in clauses (a) through (e) above.

"Change of Control" has the meaning specified in Section 1015.

"CIT Credit Facility" means the financing agreement, dated March 8, 1996, between Principal Subsidiary, as borrower, the CIT Group/Business Credit, Inc., as agent and lender, and the other lenders thereunder, as amended through the date hereof.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Stock" of any Person means Capital Stock of such Person that does not rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Consolidated Coverage Ratio" of any person on any date of determination (the "Transaction Date") means the ratio, on a pro forma basis, of (a) the aggregate amount of consolidated EBITDA of such person attributable to continuing operations and businesses (exclusive of amounts attributable to operations and businesses permanently discontinued or disposed of) for the Reference Period to (b) the aggregate Consolidated Fixed Charges of such person (exclusive of amounts attributable to operations and businesses permanently discontinued or disposed of, but only to the extent that the obligations giving rise to such Consolidated Fixed Charges would no longer be obligations contributing to such person's Consolidated Fixed Charges subsequent to the Transaction Date) during the Reference Period; provided, that for purposes of calculating Consolidated EBITDA and Consolidated Fixed Charges for this definition, (i) Acquisitions which occurred during the Reference Period or subsequent to the Reference Period and on or prior to the Transaction Date shall be assumed to have occurred on the first day of the Reference Period, (ii) transactions giving rise to the need to calculate the Consolidated Coverage Ratio shall be assumed to have occurred on the first day of the Reference Period, (iii) the incurrence of any Indebtedness or issuance of any Disqualified Capital Stock during the Reference Period or subsequent to the Reference Period and on or prior to the Transaction Date (and the application of the proceeds therefrom to the extent used to refinance or retire other Indebtedness) shall be assumed to have occurred on the first day of the Reference period, and (iv) the Consolidated Fixed Charges of such person attributable to interest on any Indebtedness or dividends on any Disqualified Capital Stock bearing a floating interest (or dividend) rate shall be computed on a pro forma basis as if the average rate in

effect from the beginning of the Reference Period to the Transaction Date had been the applicable rate for the entire period, unless such Person or any of its Subsidiaries is a party to an Interest Swap or Hedging Obligation (which shall remain in effect for the 12-month period immediately following the Transaction Date) that has the effect of fixing the interest rate on the date of computation, in which case such rate (whether higher or lower) shall be used.

"Consolidated EBITDA" means, with respect to any person, for any period, the Consolidated Net Income of such person for such period adjusted to add thereto (to the extent deducted from net revenues in determining Consolidated Net Income), without duplication, the sum of (i) Consolidated income tax expense, (ii) Consolidated depreciation and amortization expense (including amortization of debt discount and deferred financing costs in connection with any Indebtedness of such person and its Subsidiaries), (iii) Consolidated Fixed Charges and (iv) all other non-cash charges; provided that Consolidated income tax expense, depreciation and amortization expense of a Subsidiary of such person that is less than wholly owned shall only be added to the extent of the equity interest of such person in such Subsidiary.

"Consolidated Fixed Charges" of any person means, for any period, the aggregate amount (without duplication and determined in each case in accordance with GAAP) of (a) interest expensed or capitalized, paid, accrued, or scheduled to be paid or accrued (including, in accordance with the following sentence, interest attributable to Capitalized Lease Obligations) of such person and its Consolidated Subsidiaries during such period, excluding amortization of debt issuance costs incurred in connection with the Principal Subsidiary Notes or the Credit Agreement but including (1) original issue discount and non-cash interest payments or accruals on any, Indebtedness, (ii) the interest portion of all deferred payment obligations, and (iii) all commissions, discounts and other fees and charges owed with respect to bankers' acceptances and letters of credit financings and currency and Interest Swap and Hedging Obligations, in each case to the extent attributable to such period, and (b) the amount of cash dividends paid by such person or any of its Consolidated Subsidiaries in respect of Preferred Stock (other than by Subsidiaries of such person to such person or such persons wholly owned Subsidiaries).

For purposes of this definition, (x) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP and (y) to the extent such expense would result in a liability upon the consolidated balance sheet of such person in accordance with GAAP, interest expense attributable to any Indebtedness represented by the guaranty by such person or a Subsidiary of such person of an obligation of another person shall be deemed to be the interest expense attributable to the Indebtedness guaranteed. Notwithstanding the foregoing, Consolidated Fixed Charges shall not include (A) costs, fees and expenses incurred in connection with the Recapitalization, (B) interest expense on the Old Principal Subsidiary Notes incurred after the Issue Date, provided that on the Issue Date Principal Subsidiary's obligations under the Old Principal Subsidiary Notes shall have been released to the extent provided in Article Nine of the indenture governing the Old Principal Subsidiary Notes, and within 45 days after the Issue Date the Old Principal Subsidiary Notes are redeemed or otherwise acquired by the Company in compliance with the Old Principal Subsidiary Note indenture and the Indenture, and (C) any one-time non-cash charge or expense associated with the write-off of deferred debt issuance costs associated with the Credit Agreement or the Principal subsidiary Notes or the Notes.

"Consolidated Net Income" means, with respect to any person for any period, the net income (or loss) of such person and its Consolidated Subsidiaries (determined on a consolidated basis in accordance with GAAP) for such period, adjusted to exclude (only to the extent included in computing such net income (or loss) and without duplication): (a) all gains and losses which are either extraordinary (as determined in accordance with GAAP) or are either unusual or nonrecurring (including any gain from the sale or other disposition of assets outside the ordinary course of business or from the issuance or sale of any capital stock), (b) the net income, if positive, of any person, other than a Consolidated Subsidiary, in which such person or any of its Consolidated Subsidiaries has an interest, except to the extent of the amount of any dividends or distributions actually paid in cash to such person or a Consolidated Subsidiary of such person during such period, but in any case (i) not in excess of such person's pro rata share of such person's net income for such

period and (ii) excluding any such payments made to any Subsidiary pursuant to clause (a) of the definition of Permitted Payments, (c) the net income or loss of any person acquired in a pooling of interests transaction for any period prior to the date of such acquisition, (d) the net income, if positive, of any of such person's Consolidated Subsidiaries in the event and solely to the extent that the declaration or payment of dividends or similar distributions is not at the time permitted by operation of the terms of its charter or bylaws or any other agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Consolidated Subsidiary, (e) the effects of changes in accounting principles, (f) any non-cash compensation expense in connection with the exercise of, grant to or repurchase from officers, directors and employees of stock, stock options or stock equivalents, (g) any one-time non-cash charge or expense associated with the write-off of deferred debt issuance costs associated with the Credit Agreement or the Principal Subsidiary Notes or the Notes, (h) costs, fees and expenses incurred in connection with the Recapitalization, (i) interest expense on the Old Principal Subsidiary Notes incurred after the Issue Date, provided that on the Issue Date Principal Subsidiary's obligations under the Old Principal Subsidiary Notes shall have been released to the extent provided in Article Nine of the indenture governing the Old Principal Subsidiary Notes, and within 45 days after the Issue Date the Old Principal Subsidiary Notes are redeemed or otherwise acquired by the Company in compliance with the Old Principal Subsidiary Note indenture and the Principal Subsidiary Indenture, and (j) interest expense on the Notes and Exchange Notes.

"Consolidated Net Worth" of any person at any date means the aggregate consolidated stockholders' equity of such person (plus amounts of equity attributable to preferred stock) and its Consolidated Subsidiaries, as would be shown on the consolidated balance sheet of such person prepared in accordance with GAAP, adjusted to exclude (to the extent included in calculating such equity), (a) the amount of any such stockholders' equity attributable to Disqualified Capital Stock or treasury stock of such person and its Consolidated Subsidiaries, (b) all upward revaluations and other write-ups in the book value of any asset of such person or a Consolidated Subsidiary of such person subsequent to the Issue Date, and (c) all investments

in subsidiaries that are not Consolidated Subsidiaries and in persons that are not Subsidiaries.

"Consolidated Subsidiary" means, for any person, each Subsidiary of such person (whether now existing or hereafter created or acquired) the financial statements of which are consolidated for financial statement reporting purposes with the financial statements of such person in accordance with GAAP.

"Consolidation" means, with respect to the Company, the consolidation of the accounts of its Subsidiaries with those of the Company, all in accordance with GAAP; provided that "consolidation" will not include consolidation of the accounts of any Unrestricted Subsidiary with the accounts of the Company. The term "Consolidated" has a correlative meaning to the foregoing.

"Corporate Trust Office" means the principal office of the Trustee in St. Paul, Minnesota at which at any particular time its corporate trust business shall be administered.

"corporation" means a corporation, association, company, joint-stock company, partnership or business trust.

"Credit Agreement" means the one or more credit agreements (including, without limitation, the CIT Credit Facility) entered into by and among the Company, Principal Subsidiary, certain of its subsidiaries (if any) and certain financial institutions, which provide for in the aggregate one or more term loans and/or revolving credit facilities, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, as such credit agreement and/or related documents may be amended, restated, supplemented, renewed, replaced or otherwise modified from time to time whether or not with the same agent, trustee, representative lenders or holders, and, subject to the proviso to the next succeeding sentence, irrespective of any changes in the terms and conditions thereof. Without limiting the generality of the foregoing, the term "Credit Agreement" shall include any amendment, amendment and restatement, renewal, extension, restructuring, supplement or modification to any such credit agreement and all refundings, refinancings and replacements of any such credit agreement, including any agreement (i) extending the maturity of any Indebtedness incurred

thereunder or contemplated thereby, (ii) adding or deleting borrowers or guarantors thereunder, so long as borrowers and issuers include one or more of the Company and its Subsidiaries and their respective successors and assigns, (iii) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder, provided that on the date such Indebtedness is incurred it would not be prohibited by Section 1008 or (iv) otherwise altering the terms and conditions thereof in a manner not prohibited by the terms hereof.

"Debt Incurrence Ratio" has the meaning set forth in Section 1008.

"Default Amount" has the meaning set forth in Section 502.

"Disqualified Capital Stock" means (a) except as set forth in (b) , with respect to any person, Equity Interests of such person that, by its terms or by the terms of any security into which it is convertible, exercisable or exchangeable, is, or upon the happening of an event or the passage of time or both would be, required to be redeemed or repurchased (including at the option of the holder thereof) by such person or any of its Subsidiaries, in whole or in part, on or prior to the Stated Maturity of the Notes and (b) with respect to any Subsidiary of such person (including with respect to any Subsidiary of the Company), any Equity Interests other than any common equity with no preference, privileges, or redemption or repayment provisions.

"Equity Interest" of any Person means any shares, interests, participations or other equivalents (however designated) in such Person's equity, and shall in any event include any Capital Stock issued by, or partnership or membership interests in, such Person.

"Event of Default" has the meaning specified in Section 501.

"Event of Loss" means, with respect to any property or asset, any (i) loss, destruction or damage of such property or asset or (ii) any condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of such property or asset, or confiscation or requisition of the use of such property or asset.

"Exchange Act" refers to the Securities Exchange Act of 1934 as it may be amended and any successor act thereto.

"Exchange Notes" means those certain Exchange Notes issued pursuant to an indenture in the form of the Indenture affixed as an exhibit to that certain Certificate of Designations governing the Company's Series A 13.45% Senior Exchangeable Preferred Stock filed with the Delaware Secretary of State on November 13, 1997 as such Indenture is amended from time to time with the content of Holders of a majority in aggregate principal amount of Notes, such consent not to be unreasonably withheld.

"Excluded Person" means Green Equity Investors, L.P., Robert Miller, Steven Miller, Michael Miller and their respective Related Parties.

"Exempted Affiliate Transaction" means (a) compensation, indemnification and other benefits paid or made available (x) pursuant to the employment agreements between the Company or a Subsidiary of the Company and members of its senior management, or (y) for or in connection with services actually rendered and comparable to those generally paid or made available by entities engaged in the same or similar businesses (including reimbursement or advancement of reasonable out-of-pocket expenses, loans to officers, directors and employees in the ordinary course of business consistent with past practice and directors' and officers' liability insurance), (b) transactions, expenses and payments in connection with the Recapitalization, (c) any Restricted Payments or other payments or transactions expressly permitted under Section 1009, (d) payments to LGA for management services under the Management Services Agreement in an amount not to exceed $1.0 million in any fiscal year, plus reimbursement of reasonable out-of-pocket costs and expenses, (e) payments to LGA for reasonable and customary fees and expenses for financial advisory and investment banking services provided to the Company in connection with major financial transactions, and (f) transactions between or among the Company and its Subsidiaries or between or among Subsidiaries of the Company, provided that any ownership interest in any such Subsidiary which is not beneficially owned directly or indirectly by the Company or any of its Subsidiaries is not beneficially owned by an Affiliate of the Company other than by virtue of the direct or indirect ownership interest in

such Subsidiary held (in the aggregate) by the Company and/or one or more of its Subsidiaries.

"GAAP" means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession in the United States as in effect on the Issue Date.

"Holder" means a Person in whose name a Note is registered in the Note Register.

"Indebtedness" of any person means, without duplication, (a) all liabilities and obligations, contingent or otherwise, of such any person, to the extent such liabilities and obligations would appear as a liability upon the consolidated balance sheet of such person in accordance with GAAP, (i) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), (ii) evidenced by bonds, notes, debentures or similar instruments, (iii) representing the balance deferred and unpaid of the purchase price of any property or services, except those incurred in the ordinary course of its business that would constitute ordinarily a trade payable to trade creditors; (b) all liabilities and obligations, contingent or otherwise, of such person (i) evidenced by bankers' acceptances or similar installments issued or accepted by banks, (ii) relating to any Capitalized Lease Obligation, or (iii) evidenced by a letter of credit or a reimbursement obligation of such person with respect to any letter of credit; (c) all net obligations of such person under Interest Swap and Hedging Obligations; (d) all liabilities and obligations of others of the kind described in the preceding clauses (a), (b) or (c) that such person has guaranteed or that is otherwise its legal liability or which are secured by one or more Liens on any assets or property of such person; provided that if the liabilities or obligations which are secured by a Lien have not been assumed in full by such person or are not such person's legal liability in full, the amount of such Indebtedness for the purposes of this definition shall be limited to the lesser of the amount of such Indebtedness secured by such Lien or the fair market value of the assets

or property securing such Lien; (e) any and all deferrals, renewals, extensions, refinancing and refundings (whether direct or indirect) of, or amendments, modifications or supplements to, any liability of the kind described in any of the preceding clauses (a), (b), (c) or (d), or this clause (e), whether or not between or among the same parties; and (f) all Disqualified Capital Stock of such Person (measured at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends). For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Capital Stock, such Fair Market Value to be determined in good faith by the board of directors of the issuer (or managing general partner of the issuer) of such Disqualified Capital Stock.

"Incurrence Date" has the meaning set forth in Section 1008.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Interest Payment Date" means each May 31 and November 30, commencing May 31, 2003.

"Interest Swap and Hedging Obligation" means any obligation of any person pursuant to any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate exchange agreement, currency exchange agreement or any other agreement or arrangement designed to protect against fluctuations in interest rates or currency values, including, without limitation, any arrangement whereby, directly or indirectly, such person is entitled to receive from time to time periodic payments calculated by applying either a fixed or floating rate of interest on a stated notional amount in exchange for periodic payments made by such person calculated by applying a fixed or floating rate of interest on the same notional amount.

"Investment" by any person in any other person means (without duplication) (a) the acquisition (whether by purchase, merger, consolidation or otherwise) by such person (whether for cash, property, services, securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities, including any options or warrants, of such other person or any agreement to make any such acquisition; (b) the making by such person of any deposit with, or advance, loan or other extension of credit to, such other person (including the purchase of property from another person subject to an understanding or agreement, contingent or otherwise, to resell such property to such other person) or any commitment to make any such advance, loan or extension (but excluding accounts receivable, endorsements for collection or deposits arising in the ordinary course of business) ; (c) other than guarantees of Indebtedness of the Company or any Subsidiary to the extent permitted by the Section 1008, the entering into by such person of any guarantee of, or other credit support or contingent obligation with respect to, Indebtedness or other liability of such other person; (d) the making of any capital contribution by such person to such other person; and (e) the designation by the Board of Directors of the Company of any person to be an Unrestricted Subsidiary. The Company shall be deemed to make an Investment in an amount equal to the fair market value of the net assets of any subsidiary (or, if neither the Company nor any of its Subsidiaries has theretofore made an Investment in such subsidiary, in an amount equal to the Investments being made), at the time that such subsidiary is designated an Unrestricted Subsidiary, and any property transferred to an Unrestricted Subsidiary from the Company or a Subsidiary of the Company shall be deemed an Investment valued at its fair market value at the time of such transfer. The amount of any such Investment shall be reduced by any liabilities or obligations of the Company or any of its Subsidiaries to be assumed or discharged in connection with such Investment by an entity other than the Company or any of its Subsidiaries. For purposes of clarification and greater certainty, the designation of a newly formed subsidiary as an Unrestricted Subsidiary and the initial capitalization thereof under clause (b) of the definition of Permitted Payment shall not constitute an Investment.

"Issue Date" means the date of first issuance of the Notes under the Indenture.

"Issue Price" means $25,000,000.

"LGA" means Leonard Green & Associates, L.P., a Delaware limited partnership.

"LGP" means Leonard Green & Partners, L.P., a Delaware limited partnership.

"Lien" means any mortgage, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation or other encumbrance upon with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired.

"Maturity", when used with respect to any Note, means the date on which the principal of such Note becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Management Services Agreement" means the management services agreement, dated as of the Issue Date, between the Company and Principal Subsidiary on one hand and LGA on the other hand substantially as in effect on the Issue Date.

"Net Cash Proceeds" means the aggregate amount of cash or Cash Equivalents received by the Company in the case of a sale of Qualified Capital Stock and by the Company and its Subsidiaries in respect of an Asset Sale plus, in the case of an issuance of Qualified Capital Stock upon any exercise, exchange or conversion of securities (including options, warrants, rights and.convertible or exchangeable debt) of the Company that were issued for cash on or after the Issue Date, the amount of cash originally received by the Company upon the issuance of such securities (including options, warrants, rights and convertible or exchangeable debt) less, in each case, the sum of all payments, fees, commissions and (in the case of Asset Sales, reasonable and customary) expenses (including, without limitation, the fees and expenses of legal counsel and investment banking fees and expenses) incurred in connection with such Asset Sale or sale of Qualified Capital Stock, and, in the case of an Asset Sale only, less (i) the amount (estimated reasonably and in good faith by the Company) of income, franchise, sales and other applicable taxes required to be paid by the Company or any of its respective Subsidiaries in connection

with such Asset Sale, (ii) the amounts of any repayments of Indebtedness secured, directly or indirectly, by Liens on the assets which are the subject of such Asset Sale or Indebtedness associated with such assets which is due by reason of such Asset Sale (i.e., such disposition is permitted by the terms of the instruments evidencing or applicable to such Indebtedness, or by the terms of a consent granted thereunder, on the condition that the proceeds (or portion thereof) of such disposition be applied to such Indebtedness) , and other fees, expenses and other expenditures, in each case, reasonably incurred as a consequence of such repayment of Indebtedness (whether or not such fees, expenses or expenditures are then due and payable or made, as the case may be) ; (iii) all amounts deemed appropriate by the Company (as evidenced by a signed certificate of the Chief Financial Officer of the Company delivered to the Trustee) to be provided as a reserve, in accordance with GAAP, against any liabilities associated with such assets which are the subject of such Asset Sale; and (iv) with respect to Asset Sales by Subsidiaries of the Company, the portion of such cash payments attributable to Persons holding a minority interest in such Subsidiary.

"Notes" means securities designated in the first paragraph of the RECITALS OF THE COMPANY.

"Note Register" and "Notes Registrar" have the respective meanings specified in Section 305.

"Offering Memorandum" means the offering memorandum, dated November 8, 1997, relating to the offering of Principal Subsidiary Notes.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President, a Vice President or the Chief Financial Officer, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee.

"Old Principal Subsidiary Notes" means those certain 13 5/8% Senior Subordinated Notes due 2002.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be acceptable to the Trustee.

"Original Issue Discount", as applied to an Accrual Period, means the product of the Adjusted Issue Price at the beginning of the Accrual Period and the Yield to Maturity for such Accrual Period. The daily portions of Original Issue Discount are determined by allocating to each day in an Accrual Period the ratable portion of the Original Issue Discount allocable to the Accrual Period.

"Outstanding", when used with respect to Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Notes; provided that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) Notes which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which the Trustee knows to be so owned shall be so disregarded. Notes

so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor.

"pari passu", when used with respect to the ranking of any Indebtedness of any Person in relation to other Indebtedness of such Person, means that each such Indebtedness (a) either (i) is not subordinated in right of payment to any other Indebtedness of such Person or (ii) is subordinate in right of payment to the same Indebtedness of such Person as is the other and is so subordinate to the same extent and (b) is not subordinate in right of payment to the other or to any Indebtedness of such Person as to which the other is not so subordinate.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Notes on behalf of the Company.

"Permitted Indebtedness" means any of the following:

(a) that the Company and the Subsidiaries may incur Indebtedness evidenced by the Notes and the Principal Subsidiary Notes and represented by this Indenture or the principal Subsidiary Indenture up to the amounts specified therein as of the date thereof;

(b) that the Company and the Subsidiaries, as applicable, may incur Refinancing Indebtedness with respect to any Indebtedness or Disqualified Capital Stock, as applicable, that was permitted by this Indenture to be incurred and any Indebtedness of Principal Subsidiary outstanding on the Issue Date (except the Old Principal Subsidiary Notes) after giving effect to the Recapitalization;

(c) the Company and the Subsidiaries may incur Indebtedness solely in respect of bankers' acceptances and letters of credit (in addition to any such Indebtedness incurred under the Credit Agreement in accordance with the Indenture) (to the extent that such incurrence does not result in the incurrence of any obligation to repay any obligation relating to borrowed

money of others), all in the ordinary course of business in accordance with customary industry practices, in amounts and for the purposes customary in the Company's industry; provided, that the aggregate principal amount outstanding of such Indebtedness (including any Indebtedness issued to refinance, refund or replace such Indebtedness) shall not exceed $5.0 million;

(d) the Company and the Subsidiaries may incur Indebtedness arising from tender, bid, performance or government contract bonds, other obligations of like nature, or warranty or contractual service obligations of like nature, in any case, incurred by the Company or the Subsidiaries in the ordinary course of business;

(e) the Company and the Subsidiaries may incur Interest Swap and Hedging Obligations that are incurred for the purpose of fixing or hedging interest rate or currency risk with respect to any fixed or floating rate Indebtedness that is permitted by the Indenture to be outstanding or any receivable or liability the payment of which is determined by reference to a foreign currency; provided, that the notional amount of any such Interest Swap and Hedging Obligation does not exceed the principal amount of Indebtedness to which such Interest Swap and Hedging Obligation relates; and

(f) the Company may incur Indebtedness to any Subsidiary, and any Subsidiary may incur Indebtedness to any other Subsidiary or to the Company; provided, that, in the case of Indebtedness of the Company, such obligations shall be unsecured and subordinated in all respects to the Company's obligations pursuant to the Notes and the date of any event that causes such Subsidiary no longer to be a Subsidiary shall be an Incurrence Date.

"Permitted Investment" means Investments in (a) any of the Principal Subsidiary Notes or the Notes; (b) Cash Equivalents; (c) intercompany notes to the extent permitted under clause (f) of the definition of "Permitted Indebtedness," provided that Indebtedness under any such notes of a Subsidiary shall be deemed to be a Restricted Investment if such person ceases to be a Subsidiary; (d) Investments in the form of promissory notes of members of the Company's or Principal Subsidiary's management not to

exceed $2.0 million in principal amount at any time outstanding solely in consideration of the purchase by such persons of Qualified Capital Stock of the Company; (e) Investments by the Company or any Subsidiary in any person that is or immediately after such Investment becomes a Subsidiary, or immediately after such Investment merges or consolidates into the Company or any Subsidiary in compliance with the terms of the Indenture, provided that such Person is engaged in all material respects in a Related Business; (f) Investments in the Company by any Subsidiary, provided that in the case of Indebtedness of the Company constituting any such Investment, such Indebtedness shall be unsecured and subordinated in all respects to the Company's obligations under the Notes; (g) Investments in securities of trade creditors or customers received in settlement of obligations that arose in the ordinary course of business or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers; (h) Investments by the Company or Principal Subsidiary outstanding on the Issue Date; (i) transactions or arrangements with officers or directors of the Company or any Subsidiary entered into in the ordinary course of business (including compensation or employee benefit arrangements with any officer or director of the Company or any Subsidiary permitted under Section 1012; (j) Investments in Persons (other than Affiliates of the Company) received as consideration from Asset Sales to the extent not prohibited by Section 1013; and (k) additional Investments at any time outstanding not to exceed the sum of (i) $4.0 million and (ii) the cumulative gain (net of taxes and all payments, fees, commissions and expenses incurred in such sale or disposition) realized by the Company and Subsidiaries in cash or Cash Equivalents on the sale or other disposition after the Issue Date of Investments (including Permitted Investments and Restricted Investments) made after the Issue Date in accordance with this Indenture (but only to the extent that such gain is excluded from the net income of the Company and the Consolidated Subsidiaries by the definition of Consolidated Net Income).

"Permitted Lien" means (a) Liens existing on the Issue Date; (b) Liens imposed by governmental authorities for taxes, assessments or other charges not yet subject to penalty or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the Company in accordance with GAAP; (c) statutory liens of carriers,

warehousemen, mechanics, materialmen, landlords, repairmen or other like Liens arising by operation of law in the ordinary course of business provided that (i) the underlying obligations are not overdue for a period of more than 60 days, or (ii) such Liens are being contested in good faith and by appropriate proceedings and adequate reserves with respect thereto are maintained on the books of the Company in accordance with GAAP; (d) Liens securing the performance of bids, trade contracts (other than borrowed money) , leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; (e) easements, rights-of-way, zoning, similar restrictions and other similar encumbrances or title defects which, singly or in the aggregate, do not in any case materially detract from the value of the property subject thereto (as such property is used by the Company or any of its Subsidiaries) or interfere with the ordinary conduct of the business of the Company or any of its Subsidiaries; (f) Liens arising by operation of law in connection with judgments, only to the extent, for an amount and for a period not resulting in an Event of Default with respect thereto; (g) pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security legislation; (h) Liens securing the Notes or the Principal Subsidiary Notes; (i) Liens securing Indebtedness of a Person existing at the time such Person becomes a Subsidiary or is merged with or into the Company or a Subsidiary or Liens securing Indebtedness incurred in connection with an Acquisition, provided that such Liens were in existence prior to the date of such acquisition, merger or consolidation, were not incurred in anticipation thereof, and do not extend to any other assets; (j) Liens arising from Purchase Money Indebtedness permitted to be incurred under paragraph (a) of section 1008 provided such Liens relate solely to the property which is subject to such Purchase Money Indebtedness; (k) leases or subleases granted to other persons in the ordinary course of business not materially interfering with the conduct of the business of the Company or any of its Subsidiaries or materially detracting from the value of the relative assets of the Company or any Subsidiary; (1) Liens arising from precautionary Uniform Commercial Code financing statement filings regarding operating leases entered into by the Company or any of its Subsidiaries in the ordinary course of business; (m) Liens securing Refinancing Indebtedness incurred to refinance any

Indebtedness that was previously so secured in accordance with the Indenture; (n) Liens securing Indebtedness incurred under the Credit Agreement in accordance with the Indenture; (o) Liens securing Indebtedness incurred under paragraph (b) of Section 1008; and (p) any interest or title of a lessor under any lease, whether or not characterized as capital or operating, provided that such Liens do not extend to any property or assets which is not leased property subject to such lease.

"Permitted Payments" means, without duplication, (a) payments by the Company made concurrently with and in an amount equal to or less than payments to the Company (directly or indirectly through one or more Subsidiaries) by an Unrestricted Subsidiary, provided that in each case the Company distributes the same property as that so received by the Company from such Unrestricted Subsidiary; (b) payments to an Unrestricted Subsidiary by the Company (directly or indirectly through one or more Subsidiaries) made concurrently with and in an amount equal to or less than Capital Contributions to the Company, provided that in each case the Company distributes the same property as that so received by the Company as such Capital Contribution; (c) payments to redeem or otherwise acquire the Old Principal Subsidiary Notes after the Issue Date solely with funds used to defease the Old Principal Subsidiary Notes on the Issue Date in connection with the Recapitalization; (d) payments by the Company directly of the payments provided for by clauses (a), (d) and (e) of the definition of "Exempted Affiliated Transaction"; (e) repurchases of common stock, stock options and stock equivalents of the Company held by former directors, officers or employees of Thrifty, the Company or any Subsidiaries of the Company, in an aggregate amount not to exceed in any fiscal year $1,000,000 plus (x) the cumulative amount by which (1) the product of $1,000,000 times the number of preceding fiscal years subsequent to the Issue Date exceeds (2) the aggregate amount of such payments made during such fiscal years, plus (y) the aggregate net cash consideration received by the Company, after the Issue Date (excluding any such consideration received by the Company in connection with the Recapitalization) and prior to or substantially concurrently with the date of such repurchase, from the sale or issuance of common stock of the Company to directors, officers and employees of the Company and the Subsidiaries (including, to the extent not otherwise included in the amount of such cash consideration, cash repayments of principal received by the Company on loans

made to such persons to enable them to purchase such stock); and (f) Restricted Payments in an aggregate amount not to exceed $4.0 million; provided that following a Default or Event of Default for so long as such Default or Event of Default is continuing, (a), (e), and (f) shall not be Permitted Payments if made by the Company.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Note" of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Note shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Note.

"Preferred Stock", as applied to the Capital Stock of any Person, means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"Principal Subsidiary" means Big 5 Corp., a Delaware corporation.

"Principal Subsidiary Indenture" means the Indenture, dated November 13, 1997, between Principal Subsidiary and First Trust National Association, as amended from time to time, and any indenture in connection with any Refinancing Indebtedness incurred in connection with the Principal Subsidiary Notes.

"Principal Subsidiary Notes" means the 10 7/8% Senior Notes due 2007 of Principal Subsidiary and any Refinancing Indebtedness incurred in connection with such Principal Subsidiary Notes.

"Public Equity Offering" means an underwritten offering of common stock of the Company for cash pursuant to an effective registration statement under the Securities

Act, provided at the time of or upon consummation of such offering, such common stock of the Company is listed on a national securities exchange or quoted on the national market system of the Nasdaq Stock Market.

"Purchase Date" means the settlement date specified by the Company in an Asset Sale Offer or Change of Control Offer, which shall be within three business days of the expiration date specified in such offer.

"Purchase Money Indebtedness"' of any person means any Indebtedness of such person to any seller or other person incurred to finance the acquisition or construction (including in the case of a Capitalized Lease Obligation, the lease) of any business or real or personal tangible property (or, in each case, any interest therein) acquired or constructed after the Issue Date which, in the reasonable good faith judgment of the Board of Directors of the Company, is related to a Related Business of the Company and which is incurred concurrently with, or within 180 days of, such acquisition or the completion of such construction and, if secured, is secured only by the assets so financed.

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock.

"Qualified Exchange" means any legal defeasance, redemption, retirement, repurchase or other acquisition of Capital Stock or Indebtedness of the Company issued on or after the Issue Date with the Net Cash Proceeds received by the Company from the substantially concurrent sale of its Qualified Capital Stock or any exchange of Qualified Capital Stock of the Company for any Capital Stock or Indebtedness of the Company issued on or after the Issue Date.

"Recapitalization" has the meaning set forth in the Offering Memorandum.

"Redemption Date", when used with respect to any Note to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Note to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Reference Period" with regard to any person means the four full fiscal quarters (or such lesser period during which such person has been in existence) ended immediately preceding any date upon which any determination is to be made pursuant to the terms of the Notes or the Indenture.

"Refinancing Indebtedness" means Indebtedness or Disqualified Capital Stock (a) issued in exchange for, or the proceeds from the issuance and sale of which are used substantially concurrently to repay, redeem, defease, refund, refinance, discharge or otherwise retire for value, in whole or in part, or (b) constituting an amendment, modification or supplement to, or a deferral or renewal of (a) and (b) above are, collectively, a "Refinancing"), any Indebtedness or Disqualified Capital Stock in a principal amount or, in the case of Disqualified Capital Stock, liquidation preference, not to exceed (after deduction of the amount of fees, consents, premiums, prepayment penalties and reasonable expenses incurred in connection with such Refinancing) the lesser of (i) the principal amount or, in the case of Disqualified Capital Stock, liquidation preference, of the Indebtedness or Disqualified Capital Stock so Refinanced and (ii) if such Indebtedness being Refinanced was issued with an original issue discount, the accreted value thereof (as determined in accordance with GAAP) at the time of such Refinancing; provided, that (A) such Refinancing Indebtedness of any Subsidiary of the Company shall only be used to Refinance outstanding Indebtedness or Disqualified Capital Stock of such Subsidiary, (B) such Refinancing Indebtedness shall (x) not have an Average Life shorter than the Indebtedness or Disqualified Capital Stock to be so refinanced at the time of such Refinancing and (y) in all respects, be no less subordinated or junior, if applicable, to the rights of Holders of the Notes than was the Indebtedness or Disqualified Capital Stock to be refinanced, (C) such Refinancing Indebtedness shall have a final stated maturity or redemption date, as applicable, no earlier than the final stated maturity or redemption date, as applicable, of the Indebtedness or Disqualified Capital Stock to be so refinanced, (D) such Refinancing Indebtedness shall be secured (if secured) in a manner no more adverse to the Holders of the Notes than the terms of the Liens (if any) securing such refinanced Indebtedness, including, without limitation, the amount of Indebtedness secured shall not be increased (except by the amount of fees, consents, premiums, prepayment penalties and reasonable expenses incurred in

connection with such Refinancing) , and (E) such Refinancing Indebtedness shall permit the payment of dividends to the Company to pay interest on the Notes on and after May 31, 2003. For purposes of clarification and greater certainty, if Indebtedness permitted by the terms of this Indenture (including clauses (a) , (b) and (c) of the second paragraph of Section 1008) is repaid, redeemed, defeased, refunded, refinanced, discharged or otherwise retired for value from the proceeds of Refinancing Indebtedness, the maximum amount of such Refinancing Indebtedness shall be determined in accordance with the provisions of this definition, and the amount of such Refinancing Indebtedness in excess of the amount of such Indebtedness (as permitted by this definition) shall not reduce the amount of Indebtedness permitted by the terms of this Indenture (including, without limitation, not reducing or counting towards the amounts set forth in such clauses (a), (b) and (c).

"Regular Record Date" means each May 15 and November 15.

"Related Business" means the business conducted (or proposed to be conducted, including the activities referred to as being contemplated by the Company, as described or referred to in the Offering Memorandum) by the Company as of the Issue Date and any and all businesses that in the good faith judgment of the Board of Directors of the Company are reasonably related businesses, including reasonably related extensions thereof.

"Related Parties" means (i) with respect to any Excluded Person, (A) any controlling stockholder, 80% or more owned Subsidiary, partner, or spouse or immediate family member (in the case of an individual) of or in any such Excluded Person or (B) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or persons beneficially holding an 80% or more controlling interest of which consist of such Excluded Person and/or such other persons referred to in the immediately preceding clause (A), and (ii) only with respect to Green Equity Investors, L.P. (and in addition to the persons described in the foregoing clause (i)) any partnership or corporation which is managed by or controlled by LGP or any affiliate thereof.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the

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

"Restricted Investment" means, in one or a series of related transactions, any Investment, other than investments in Cash Equivalents and other Permitted Investments; provided, however, that a merger of another person with or into the Company or a Subsidiary in accordance with the terms of this Indenture shall not be deemed to be a Restricted Investment so long as the surviving entity is the Company or a direct wholly owned Subsidiary.

"Restricted Payment" means, with respect to any person, (a) the declaration or payment of any dividend or other distribution in respect of Equity Interests of such person, (b) any payment on account of the purchase, redemption or other acquisition or retirement for value of Equity Interests of such person, (c) other than with the proceeds from the substantially concurrent sale of, or in exchange for, Refinancing Indebtedness, any purchase, redemption, or other acquisition or retirement for value of, any payment in respect of any amendment of the terms of or any defeasance of, any Subordinated Indebtedness, directly or indirectly, by the Company prior to the scheduled maturity, any scheduled repayment of principal, or scheduled sinking fund payment, as the case may be, of such Indebtedness and (d) any Restricted Investment by such person; provided, however, that the term "Restricted Payment" does not include (i) any dividend, distribution or other payment on or with respect to Equity Interests of the Company to the extent payable solely in shares of Qualified Capital Stock of the Company; (ii) any dividend, distribution or other payment to the Company, or to any of the Subsidiaries, by any of its Subsidiaries; (iii) payments made pursuant to the Recapitalization (including, without limitation, bonuses not to exceed $750,000 in the aggregate

payable to certain members of the Company's senior management at the time of or promptly after the Recapitalization); (iv) Permitted Investments; or (v) pro rata dividends and other distributions on Equity Interests of any Subsidiary by such Subsidiary.

"Sale and Leaseback Transaction" means any transaction by which the Company or a Subsidiary, directly or indirectly, becomes liable as a lessee or as a guarantor or other surety with respect to any lease of any property (whether real or personal or mixed), whether now owned or hereafter acquired that the Company or any Subsidiary has sold or transferred or is to sell or transfer to any other Person in a substantially concurrent transaction with such assumption of liability.

"Series A Preferred Stock" means the Company's Series A 13.45% Senior Exchangeable Preferred Stock issued pursuant to that certain Certificate of Designations filed with the Delaware Secretary of State on November 13, 1997 as such Certificate is amended from time to time with the consent of Holders of a majority in aggregate principal amount of Notes, such consent not to be unreasonably withheld.

"Significant Subsidiary" shall have the meaning provided under Regulation S-X of the Securities Act, as in effect on the Issue Date.

"Stated Maturity," when used with respect to any Note or any installment of interest thereon, means the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest is due and payable.

"Subordinated Indebtedness" means Indebtedness of the Company that is subordinated in right of payment by its terms or the terms of any document or instrument or instrument relating thereto to the Notes in any respect or has a final stated maturity after the Stated Maturity.

"Subsidiary," with respect to any person, means (i) a corporation a majority of whose Equity Interests with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such person, by such person and one or more Subsidiaries of such person or by one or more Subsidiaries of such person,

(ii) any other person (other than a corporation) in which such person, one or more Subsidiaries of such person, or such person and one or more Subsidiaries of such person, directly or indirectly, at the date of determination thereof has at least majority ownership interest, or (iii) a partnership in which such person or a Subsidiary of such person is, at the time, a general partner. Notwithstanding the foregoing, an Unrestricted Subsidiary shall not be a Subsidiary of the Company or of any Subsidiary of the Company. Unless the context requires otherwise, Subsidiary means each direct and indirect Subsidiary of the Company.

"Thrifty" means Thrifty Corporation.

"Transaction Date" has the meaning set forth in the definition of "Consolidated Coverage Ratio."

"Trustee" means the person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed, except as provided in Section 905; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"U.S. Government Obligations" has the meaning specified in Section 1204.

"Unrestricted Subsidiary" means any subsidiary of the Company that does not own any Capital Stock of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company and that, at the time of determination, shall be an Unrestricted Subsidiary (as designated by the Board of Directors of the Company); provided, that (i) such subsidiary shall not engage, to any substantial extent, in any line or lines of business activity other than a Related Business, (ii) neither immediately prior thereto nor after giving pro forma effect to such designation would there exist a Default or Event of Default and (iii) immediately after giving pro forma effect thereto, the Company could incur at least $1.00 of

Indebtedness pursuant to the Debt Incurrence Ratio of Section 1008 (provided, however, that this clause (iii) will not apply in the case of a newly formed subsidiary being designated an Unrestricted Subsidiary, with the initial capitalization thereof to be effected under clause (b) of the definition of Permitted Payments). The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Subsidiary, provided that (i) no Default or Event of Default is existing or will occur as a consequence thereof and (ii) immediately after giving effect to such designation, on a pro forma basis, the Company could incur at least $1.00 of Indebtedness pursuant to the Debt Incurrence Ratio of Section 1008. Each such designation shall be evidenced by filing with the Trustee a certified copy of the resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions.

"U.S. Government Obligations" means direct noncallable obligations of, or noncallable obligations guaranteed by, the United States of America for the payment of which obligation or guarantee the full faith and credit of the United States of America is pledged.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Yield to Maturity" equals 13.45% per annum (6.725% for each Accrual Period).

SECTION 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirement set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

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

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an

officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. Acts of Holders; Record Date.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be

proved in any other manner which the Trustee deems sufficient.

c) The Company may, in the circumstances permitted by the Trust Indenture Act, fix any day as the record date for the purpose of determining the Holders entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Holders. If not set by the Company prior to the first solicitation of a Holder made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the 30th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 701) prior to such first solicitation or vote, as the case may be. With regard to any record date, only the Holders on such date (or their duly designated proxies) shall be entitled to give or take, or vote on, the relevant action.

d) The ownership of Notes shall be proved by the Note Register.

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

SECTION 105. Notices, Etc., to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Note Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 107. Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any

provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

SECTION 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. Separability Clause.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. Benefits of Indenture.

Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders of Notes, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. Governing Law.

This Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 113. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date, Purchase Date or Stated Maturity of any Note shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Notes) payment of interest or principal (and premium, if any) need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date, Redemption Date or Purchase Date, or at the Stated Maturity, provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, Purchase Date or Stated Maturity, as the case may be.

SECTION 114. No Personal Liability of Partners, Stockholders, Officers, Directors.

No direct or indirect stockholder, employee, officer or director, as such, past, present or future of the Company, the Subsidiaries or any successor entity shall have any personal liability in connection with this Indenture or the Notes solely by reason of his or its status as such stockholder, employee, officer or director. Each Holder of Notes by accepting a Note waives and releases all such liability, acknowledges and consents to the transactions constituting the Recapitalization and further acknowledges the waiver and release are part of the consideration for the issuance of the Notes.

ARTICLE TWO

Note Forms

SECTION 201. Forms Generally.

The Notes and the Trustee's certificates of authentication shall be in substantially the forms set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers

executing such Notes, as evidenced by their execution of the Notes.

The definitive Notes shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner permitted by the rules of any securities exchange on which the Notes may be listed, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

SECTION 202. Form of Face of Note.

FOR PURPOSES OF SECTIONS 1272, 1273 and 1275 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND PURSUANT TO SECTION 1.1275-3(b), THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT, THE ISSUE PRICE OF THIS NOTE IS 50.18% OF ITS PRINCIPAL AMOUNT, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ON THIS NOTE IS $1,305.17 PER $1,000 OF STATED FACE AMOUNT, THE ISSUE DATE IS NOVEMBER 13, 1997 AND THE YIELD TO MATURITY IS 13.82%.*

THESE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS (i) A REGISTRATION STATEMENT UNDER THE ACT SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO AND ALL APPLICABLE QUALIFICATIONS UNDER STATE SECURITIES LAWS SHALL HAVE BEEN OBTAINED WITH RESPECT THERETO; OR (ii) A WRITTEN OPINION FROM COUNSEL FOR THE HOLDER REASONABLY SATISFACTORY TO THE COMPANY HAS BEEN OBTAINED STATING THAT NO SUCH REGISTRATION OR QUALIFICATION IS REQUIRED.

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* Company and each Holder hereby agree to amend this legend within sixty (60) days following the date of this Indenture to reflect adjustments in the number of warrants originally issued in connection with the Notes.

SENIOR DISCOUNT NOTES DUE 2008

No. $48,225,000

Big 5 Holdings Corp., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to) , for value received, hereby promises to pay to _____, or registered assigns, the principal sum of Forty Eight Two Hundred Twenty Five Thousand Dollars on November 30, 2008, and to pay interest thereon from November 30, 2002 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on May 31 and November 30 in each year, commencing May 31, 2003, at 13.45% until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the rate of 15.45% per annum on any overdue principal and premium] and on any overdue installment of interest until paid as specified on the reverse hereof.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the May 15 or November 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

The principal of this Note shall not accrue interest until November 30, 2002, except in the case of a default in payment of principal upon acceleration or

redemption and, in such case, the interest payable pursuant to the preceding paragraph on the overdue principal as specified on the reverse hereof shall be payable on demand and, if not so paid on demand, such interest shall itself bear interest at the rate of 15.45% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such demand for payment to the date payment of such interest has been made or duly provided for, and such interest or unpaid interest shall also be payable on demand.

Payment of the principal of (and premium, if any) and interest on this Note will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Note Register.

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

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

BIG 5 HOLDINGS CORP.

[Seal]

By

Title:

Attest:

- ---
Title:

SECTION 203. Form of Trustee's Certificate of Authentication.

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

Dated:

---
as Trustee

By

Authorized Officer

SECTION 204. Form of Reverse of Note.

This Note is one of a duly authorized issue of Notes of the Company designated as its Senior Discount Notes due 2008 (herein called the "Notes"), limited in aggregate principal amount to $48,225,000, issued and to be issued under an Indenture, dated as of November 13, 1997 (herein called the "Indenture"), between the Company and First Trust National Association, as Trustee (herein called the

"Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all Indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered.

The Notes are subject to redemption upon not less than 30 nor more than 60 days' notice by mail, at any time on or after November 30, 2002, as a whole or in part, at the election of the Company, at a Redemption Price which, if during the twelve month period beginning November 30, 2002 is equal to 110% of the principal amount of this Note; if during the twelve month period beginning November 30, 2003 is equal to 106.67% of the principal amount of this Note; if during the twelve month period beginning November 30, 2004 is equal to 103.33% of the principal amount of this Note; and thereafter is equal to 100% of the principal amount of this Note, in each case plus interest thereon accruing from November 30, 2002 or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 13.45% per annum, provided that interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

Notwithstanding the foregoing, at any time prior to November 30, 2002, the Company may give notice of redemption for all, but not less than all, of this Note at a Redemption Price equal to 113.45% of the Accreted Value of this Note promptly upon (and in no event later than 10 days after) the Company's receipt of cash from the Net Cash Proceeds to the Company of any Public Equity Offering. In such event, the Note shall be redeemed on a date not less than 30 days nor more than 60 days after the date of such notice.

The Notes do not have the benefit of any sinking fund obligations.

In the event of redemption or purchase pursuant to an Asset Sale Offer or Change of Control Offer of this Note in part only, a new Note or Notes for the unredeemed portion

hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, there may be declared due and payable the Default Amount of the Securities, in the manner and with the effect provided in the Indenture. Until and including November 30, 2002, the Default Amount in respect of this Note as of any particular date of acceleration shall equal the Accreted Value of this Note. For this purpose, Accreted Value means the Adjusted Issue Price as of the first day of the Accrual Period in which the date of acceleration occurs increased by the daily portion of the Original Issue Discount for each day in such Accrual Period ending on the date of acceleration. Such Default Amount shall bear interest at the rate of 15.45% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of acceleration to the date payment has been made or duly provided for. On and after November 30, 2002, the Default Amount in respect of this Note shall equal 100% of the principal amount of this Note. Such Default Amount shall bear interest at the rate of 15.45% per annum from November 30, 2002 or the most recent Interest Payment Date to which interest has been paid or duly provided for. Upon payment of (i) the Default Amount so declared due and payable and any overdue installment of interest, (ii) interest on the Default Amount and (iii) as provided on the face hereof, interest on any overdue installment of interest or, if acceleration occurs prior to November 30, 2002, on the interest referred to in the third preceding sentence (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and interest on the Notes shall terminate.

The Indenture provides that, subject to certain conditions, if (i) certain Net Cash Proceeds are available to the Company as a result of Asset Sales or (ii) a Change of Control occurs, the Company shall be required to make an Asset Sale Offer or Change of Control Offer, respectively, for all of the Notes.

The Indenture contains provisions for defeasance at any time of (i) the entire indebtedness of this Note or (ii) certain restrictive covenants and Events of Default with respect to this Note, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

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

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Note Register, upon surrender of this Note for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York and at any other office or agency maintained by the Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Note Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes are exchangeable for a like aggregate principal amount of Notes

of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Accrual Periods and interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months.

No direct or indirect stockholder, employee, officer or director, as such, past, present or future of the Company, the Subsidiaries or any successor entity shall have any personal liability in connection with this Note solely by reason of his or its status as such stockholder, employee, officer or director. Each Holder by accepting this Note waives and releases all such liability, acknowledges and consents to the transactions constituting the Recapitalization and further acknowledges the waiver and release are part of the consideration for the issuance of this Note.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Indenture and this Note shall be governed by and construed in accordance with the laws of the State of New York.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased in its entirety by the Company pursuant to Section 1013 or 1015 of the Indenture, check the box:

[ ]

If you want to elect to have only a part of this Note purchased by the Company pursuant to Section 1013 or 1015 of the Indenture, state the amount: $

Dated: Your Signature:

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

Signature Guarantee:

(Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company)

ARTICLE THREE

The Notes

SECTION 301. Title and Terms.

The aggregate principal amount of Notes which may be authenticated and delivered under this Indenture is limited to $48,225,000, except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 304, 305, 306, 906 or 1108 or in connection with an Asset Sale Offer or Change of Control Offer pursuant to Sections 1013 or 1015.

The Notes shall be known and designated as the "Senior Discount Notes due 2008" of the Company. Their Stated Maturity shall be November 30, 2008 and they shall bear interest at 13.45% from November 30, 2002 or from the most recent Interest Payment Date to which interest has been

paid or duly provided for, as the case may be, payable semiannually on May 31 and November 30, commencing May 31, 2003, until the principal thereof is paid or made available for payment.

The principal of (and premium, if any) and interest on the Notes shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York maintained for such purpose and at any other office or agency maintained by the Company for such purpose; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Note Register.

The Notes shall be subject to repurchase by the Company pursuant to an Asset Sale Offer or Change of Control Offer, respectively, as provided in Sections 1013 and 1015.

The Notes shall be subject to defeasance at the option of the Company as provided in Article Twelve.

SECTION 302. Denominations.

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

SECTION 303. Execution, Authentication, Delivery and Dating.

The Notes shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents, reproduced thereon and may be attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Notes may be manual or facsimile.

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

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes; and the Trustee in accordance with such Company Order shall authenticate and deliver such Notes as in this Indenture provided and not otherwise.

Each Note shall be dated the date of its authentication.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

SECTION 304. Temporary Notes.

Pending the preparation of definitive Notes, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Notes which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Notes in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Notes may determine, as evidenced by their execution of such Notes.

If temporary Notes are issued, the Company will cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at any office or agency of the Company designated pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged the

temporary Notes shall in all respects be entitled to the same benefits under this Indenture as definitive Notes.

SECTION 305. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes collectively referred to as the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. The Trustee is hereby appointed "Note Registrar" for the purpose of registering Notes and transfers of Notes as herein provided.

Upon surrender for registration of transfer of any Note at an office or agency of the Company designated pursuant to Section 1002 for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denominations and of a like aggregate principal amount.

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

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Note Registrar duly

executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 304, 906 or 1108 or in accordance with any Asset Sale Offer or Change of Control Offer pursuant to Section 1013 or 1015 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange any Note during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Notes selected for redemption under Section 1104 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

All Notes originally issued hereunder shall bear the following legend:

"THESE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS (i) A REGISTRATION STATEMENT UNDER THE ACT SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO AND ALL APPLICABLE QUALIFICATIONS UNDER STATE SECURITIES LAWS SHALL HAVE BEEN OBTAINED WITH RESPECT THERETO; OR (ii) A WRITTEN OPINION FROM COUNSEL FOR THE HOLDER REASONABLY SATISFACTORY TO THE COMPANY HAS BEEN OBTAINED STATING THAT NO SUCH REGISTRATION OR QUALIFICATION IS REQUIRED."

All Notes issued upon transfer or exchange or replacement thereof shall bear such legend unless the Company shall have delivered to the Trustee (and the Note Register, if other than the Trustee) a Company Order which states that the Note may be issued without such legend thereon.

SECTION 306. Mutilated, Destroyed, Lost and Stolen Notes.

If any mutilated Note is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Note and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Note has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay such Note.

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

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

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

SECTION 307. Payment of Interest; Interest Rights Preserved.

Interest on any Note which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date immediately preceding such Interest Payment Date.

Any interest on any Note which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be

mailed, first-class postage prepaid, to each Holder at his address as it appears in the Note Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Note delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Note.

SECTION 308. Persons Deemed Owners.

Prior to due presentment of a Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Note is registered as the owner of such Note for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 307) interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. Cancellation.

All Notes surrendered for payment, redemption, registration of transfer or exchange or any Asset Sale Offer or Change of Control Offer pursuant to Section 1013 or 1015

shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly canceled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Notes held by the Trustee shall be disposed of as directed by a Company Order.

SECTION 310. Computation of Interest.

Accrual Periods and interest on the Notes shall be computed on the basis of a year of twelve 30-day months.

ARTICLE FOUR

Satisfaction and Discharge

SECTION 401. Satisfaction and Discharge of Indenture.

This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Notes herein expressly provided for), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Notes theretofore authenticated and delivered (other than (i) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all such Notes not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture pursuant to this Article Four, the obligations of the Company to the Trustee under Section 607 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of Clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this

Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

Remedies

SECTION 501. Events of Default.

"Event of Default", wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) the failure by the Company to pay any installment of interest on the Notes as and when the same becomes due and payable and the continuance of any such failure for 30 days;

(2) the failure by the Company to pay all or any part of the principal, or premium, if any, on the Notes when and as the same becomes due and payable at maturity, redemption, by acceleration or otherwise, including, without limitation, payment of the Change of Control Purchase Price or the Asset Sale Offer Price, or otherwise;

(3) the failure by the Company or any Subsidiary of the Company to observe or perform any other covenant or agreement contained in the Notes or the Indenture and, subject to certain exceptions, the continuance of such failure for a period of 30 days after written notice is given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Notes outstanding, specifying such Default;

(4) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in

respect of the Company or any Subsidiary of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company or any such Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any such Subsidiary under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any such Subsidiary or of any substantial part of the property of the Company or any such Subsidiary, or ordering the winding up or liquidation of the affairs of the Company or any such Subsidiary, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days;

(5) the commencement by the Company or any Subsidiary of the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company or any such Subsidiary to the entry of a decree or order for relief in respect of the Company or any Subsidiary of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company or any Subsidiary of the Company, or the filing by the Company or any such Subsidiary of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by the Company or any such Subsidiary to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or any Subsidiary of the Company or of any substantial part of the property of the Company or any Subsidiary of the Company, or the making by the Company or any Subsidiary of the Company of an assignment for the benefit of creditors, or the admission by the Company or any such Subsidiary in writing of its

inability to pay its debts generally as they become due, or the taking of corporate action by the Company or any such Subsidiary in furtherance of any such action;

(6) a default in any indebtedness of the Company or its Subsidiaries, with an aggregate principal in excess of $15 million (a) resulting from the failure to pay principal at maturity or (b) as a result of which the maturity of such indebtedness has been accelerated prior to its stated maturity; or

(7) a final judgment or final judgments not covered by insurance for the payment of money are entered against the Company or any Subsidiary of the Company in an aggregate amount in excess of $15 million by a court or courts of competent jurisdiction, which judgments remain undischarged or unbonded for a period (during which execution shall not be effectively stayed) of 60 days after the right to appeal all such judgments has expired.

SECTION 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default (other than an Event of Default specified in Section 501(4) or (5)) occurs and is continuing, then and in every such case unless the principal of all of the Notes shall already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding may declare the Default Amount of all the Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such Default Amount and any accrued interest shall become immediately due and payable. If an Event of Default specified in section 501(4) or (5) occurs, the Default Amount of and any accrued interest on the Notes then Outstanding shall ipso facto become immediately due and payable without any declaration or other Act on the part of the Trustee or any Holder.

Until and including November 30, 2002, the "Default Amount" in respect of any particular Note as of any particular date of acceleration shall equal the Accreted

Value of the Note. For this purpose, "Accreted Value" means the Adjusted Issue Price as of the first day of the Accrual Period in which the date of acceleration occurs increased by the daily portion of the Original Issue Discount for each day in such Accrual Period ending on the date of acceleration. On and after November 30, 2002, the "Default Amount" in respect of any particular Note shall equal 100% of the principal amount of the Note.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the Outstanding Notes, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest on all Notes,

(B) the principal of (and premium, if any, on) any Notes which have become due otherwise than by such declaration of acceleration (including any Notes required to have been purchased on the pursuant to an Asset Sale Offer or Change of Control Offer made by the Company) and, to the extent that payment of such interest is lawful, interest thereon at the rate provided by the Notes,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate provided by the Notes, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(2) all Events of Default, other than the nonpayment of the principal or premium, if any, and interest on the Notes which have become due solely by

such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(1) default is made in the payment of any interest on any Note when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Note at the Maturity thereof or, with respect to any Note required to have been purchased pursuant to an Asset Sale Offer or Change of Control Offer made by the Company, at the Purchase Date thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Notes, the whole amount then due and payable on such Notes for principal (and premium, if any) and interest, and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal (and premium, if any) and on any overdue interest, at the rate provided by the Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. Trustee May File Proofs of Claim.

In case of any judicial proceeding relative to the Company (or any other obligor upon the Notes), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. Trustee May Enforce Claims Without Possession of Notes.

All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the

production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest on the Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Notes for principal (and premium, if any) and interest, respectively.

SECTION 507. Limitation on Suits.

No Holder of any Note shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default:

(2) the Holders of not less than 25% in principal amount of the Outstanding Notes shall have made written request to the Trustee to institute proceedings in

respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the outstanding Notes;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

SECTION 508. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 307) interest on such Note on the respective Stated Maturities expressed in such Note (or, in the case of redemption, on the Redemption Date or in the case of an Asset Sale Offer or Change of Control Offer made by the Company and required to be accepted as to such Note, on the purchase Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. Waiver of Past Defaults.

The Holders of not less than a majority in aggregate principal amount of the Outstanding Notes may on behalf of the Holders of all the Notes waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of (or premium, if any) or interest on any Note (including any Note which is required to have been purchased pursuant to an Asset Sale Offer or Change of Control Offer which has been made by the Company), or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Note affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit

to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; provided, that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company.

SECTION 515. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

The Trustee

SECTION 601. Certain Duties and Responsibilities.

The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 602. Notice of Defaults.

The Trustee shall give the Holders notice of any default hereunder as and to the extent provided by the Trust Indenture Act. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

SECTION 603. Certain Rights of Trustee.

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in

it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 604. Not Responsible for Recitals or Issuance of Notes.

The recitals contained herein and in the Notes, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of Notes or the proceeds thereof.

SECTION 605. May Hold Notes.

The Trustee, any Paying Agent, any Note Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Notes and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Note Registrar or such other agent.

SECTION 606. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 607. Compensation and Reimbursement.

The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending

itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

SECTION 608. Disqualification; Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 609. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000 and a Corporate Trust Office in the Borough of Manhattan, The City of New York. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may

petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Notes, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property of affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Notes delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee

and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 611. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes.

SECTION 613. Preferential Collection of Claims Against Company.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Notes), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

ARTICLE SEVEN

Holders' Lists and Reports by Trustee and Company

SECTION 701. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee

(a) semi-annually, not more than 15 days after each May 15 and November 15, commencing May 15, 2003, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee in its capacity as Note Registrar.

SECTION 702. Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Note Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Notes and the corresponding rights and duties of the Trustee, shall be provided by the Trust Indenture Act.

(c) Every Holder of Notes, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to the names and addresses of Holders made pursuant to the Trust Indenture Act.

SECTION 703. Reports by Trustee.

(a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Notes are listed,

with the Commission and with the Company. The Company will notify the Trustee when the Notes are listed on any stock exchange.

SECTION 704. Reports by Company.

The Company shall deliver to the Trustee within 15 days after it is or would have been (if it were subject to such reporting obligations) required to file such with the Commission, annual and quarterly financial statements substantially equivalent to financial statements that would have been included in reports field with the Commission, if the Company were subject to the requirements of Section 13 or 15(d) of the Exchange Act, including, with respect to annual information only, a report thereon by the Company's certified independent public accountants as such would be required in such reports to the Commission.

ARTICLE EIGHT

Consolidation, Merger, Conveyance, Transfer or Lease

SECTION 801. Limitation on Merger, Sale or Consolidation.

The Company and its Subsidiaries shall not consolidate with or merge with or into another Person or, directly or indirectly, sell, lease, convey or transfer all or substantially all of its assets (computed on a consolidated basis) , whether in a single transaction or a series of related transactions, to another Person or group of affiliated Persons or adopt a plan of liquidation, unless:

(1) either (a) the Company is the continuing entity or (b) the resulting, surviving or transferee entity or, in the case of a plan of liquidation, the entity which receives the greatest value from such plan of liquidation is a corporation organized under the laws of the United States, any state thereof or the District of Columbia and expressly assumes by supplemental indenture all of the obligations of the Company in connection with the Notes and this Indenture;

(2) no Default or Event of Default shall exist or shall occur immediately after giving effect on a pro forma basis to such transaction;

(3) immediately after giving effect to such transaction on a pro forma basis, the Consolidated Net Worth of the consolidated surviving or transferee entity or, in the case of a plan of liquidation, the entity which receives the greatest value from such plan of liquidation is at least equal to the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the consolidated resulting, surviving or transferee entity or, in the case of a plan of liquidation, the entity which receives the greatest value from such plan of liquidation would immediately thereafter be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Debt Incurrence Ratio set forth in Section 1008; and

(5) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer, lease or acquisition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with, and, with respect to such Officer's Certificate, setting forth the manner of determination of the Consolidated Net Worth and the ability to Incur Indebtedness in accordance with Clause (4) of Section 801, the Company or, if applicable, of the Successor Company as required pursuant to the foregoing.

SECTION 802. Successor Substituted.

Upon any consolidation or merger or any transfer of all or substantially all of the assets of the Company or consummation of a plan of liquidation in accordance with the foregoing, the successor corporation formed by such consolidation or into which the Company is merged or to which such transfer is made or, in the case of a plan of liquidation, the entity which receives the greatest value from such plan of liquidation shall succeed to and (except in the case of a lease) be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named therein as the Company, and (except in the case of a lease) the Company shall be released from the obligations under the Notes and the Indenture except with respect to any obligations that arise from, or are related to, such transaction.

SECTION 803. Transfer of Subsidiary Assets.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise) of all or substantially all of the properties and assets of one or more Subsidiaries, the Company's interest in which constitutes all or substantially all of the properties and assets of the Company shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

ARTICLE NINE

Supplemental Indentures

SECTION 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Notes; or

(2) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company; or

(3) to secure the Notes pursuant to the requirements of Section 1011 or otherwise; or

(4) to comply with any requirements of the Commission in order to effect and maintain the qualification of this Indenture under the Trust Indenture Act; or

(5) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided such action pursuant to this Clause (5) shall not adversely affect the interests of the Holders in any material respect.

SECTION 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Notes at the time outstanding, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of amending or supplementing this Indenture or any supplemental indenture or modifying the rights of the Holders; provided, however, that no such modification may, without the consent of Holders of at least 50% in aggregate principal amount of Notes at the time outstanding, modify the provisions (including the defined terms used therein) of Section 1015 in a manner adverse to the Holders; and provided that no such modification may, without the consent of each Holder thereby:

(1) change the Stated Maturity on any Note, or reduce the principal amount thereof or the rate (or extend the time for payment) of interest thereon or any premium payable upon the redemption at the option of the Company thereof, or change the place of payment where, or the coin or currency in which, any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption at the option of the Company, on or after the Redemption Date), or reduce the Change of Control Purchase Price or the Asset Sale Offer Price of alter the provisions (including the defined terms used therein) regarding the right of the Company to redeem the Notes at its option in a manner adverse to the Holders, or

(2) reduce the percentage in principal amount of the outstanding Notes, the consent of whose Holders is required for any such amendment, supplemental indenture or waiver provided for in this Indenture, or

(3) modify any of the waiver provisions of this Section, Section 513 or Section 1019 except to increase any required percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each outstanding Note affected thereby, or

(4) cause the Notes to become subordinate in right of payment to any other Indebtedness, or

(5) following the mailing of an Asset Sale Offer or Change of Control Offer pursuant to Sections 1013 or 1015, modify the provisions of this Indenture with respect to such offer in a manner adverse to such Holder.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 905. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 906. Reference in Notes to Supplemental Indentures.

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Notes.

ARTICLE TEN

Covenants

SECTION 1001. Payment of Principal, Premium and Interest.

The Company will duly and punctually pay the principal of (and premium, if any) and any interest on the Notes in accordance with the terms of the Notes and this Indenture.

SECTION 1002. Maintenance of Office or Agency.

The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside the Borough of Manhattan, The City of New York) where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 1003. Money for Note Payments to be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of the principal of (and premium, if any) or interest on any Notes, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will, promptly notify the Trustee of its action or failure so to act.

The Company will, cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium. if any) or interest on Notes in trust for the benefit of the Persons entitled

thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Notes) in the making of any payment of principal (and premium, if any) or interest; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Note and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 1004. Existence.

Subject to Article Eight and Section 1013, the Company and its Subsidiaries will do or cause to be done all things necessary to preserve and keep in full force and effect their existence, rights (charter and statutory) and franchises; provided, however, that the Company and its Subsidiaries shall not be required to preserve any such right or franchise if the Board of Directors in good faith shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company or its Subsidiaries and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 1005. Maintenance of Properties.

The Company will cause all properties used or useful in the conduct of its business or the business of any Subsidiary of the Company to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any of such properties if such discontinuance is, as determined by the Board of Directors in good faith, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 1006. Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any of its Subsidiaries or upon the income, profits or property of the Company or any of its Subsidiaries, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company or any of its Subsidiaries; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or

discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1007. Maintenance of Insurance.

The Company shall, and shall cause its Subsidiaries to, keep at all times all of their properties which are of an insurable nature insured against loss or damage with insurers believed by the Company to be responsible to the extent that property of similar character is usually so insured by corporations similarly situated and owning like properties in accordance with good business practice. The Company shall, and shall cause its Subsidiaries to, use the proceeds from any such insurance policy to repair, replace or otherwise restore the property to which such proceeds relate.

SECTION 1008. Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, issue, assume, guaranty, incur, become directly or indirectly liable with respect to (including as a result of an Acquisition) or otherwise become responsible for, contingently or otherwise (individually and collectively, to "incur" or, as appropriate an "incurrence"), any Indebtedness or any Disqualified Capital Stock (including Acquired Indebtedness) other than permitted Indebtedness.

Notwithstanding the foregoing, if (i) no Default or Event of Default shall have occurred and be continuing at the time of, or would occur after giving effect on pro forma basis to, such incurrence of Indebtedness (including, without duplication, guarantees of Indebtedness of Principal Subsidiary otherwise permitted by this Indenture) or Disqualified Capital Stock and (ii) on the date of such incurrence (the "Incurrence Date"), the Consolidated Coverage Ratio of the Company for the Reference Period immediately preceding the Incurrence Date, after giving effect on a pro forma basis to such incurrence of such Indebtedness (without duplication) or Disqualified Capital Stock and, to the extent set forth in the definition of

Consolidated Coverage Ratio, the use of proceeds thereof would be at least 2.0 to 1 (the "Debt Incurrence Ratio") (it being understood that for purposes of determining such Debt Incurrence Ratio, the Notes, the Exchange Notes, and all interest thereon shall not be included), then the Company may incur such Indebtedness or Disqualified Capital Stock and the Subsidiaries may incur such Indebtedness other than Disqualified Capital Stock.

In addition, the foregoing limitations will not apply to:

(a) the incurrence by the Company or any Subsidiary of Purchase Money Indebtedness on or after the Issue Date, provided, that (1) the aggregate principal amount of such Indebtedness incurred on or after the Issue Date and outstanding at any time pursuant to this paragraph (a) (including any Indebtedness issued to refinance, replace or refund such Indebtedness) shall not exceed $20.0 million, and (ii) in each case, such Indebtedness as originally incurred shall not constitute more than 100% of the cost (determined in accordance with GAAP) to Principal Subsidiary or such Subsidiary, as applicable, of the property so purchased or leased;

(b) the incurrence by the Company or any Subsidiary of Indebtedness in an aggregate principal amount outstanding at any time (including Indebtedness incurred to refinance, replace, or refund such Indebtedness) of up to $15.0 million (which may be incurred pursuant to the Credit Agreement);

(c) the incurrence by the Company or any Subsidiary of Indebtedness pursuant to the Credit Agreement up to an aggregate principal amount outstanding at any time (including any Indebtedness incurred to refinance, replace or refund such Indebtedness) of $125.0 million, minus the amount of any such Indebtedness retired with the Net Cash Proceeds from any Asset Sale or assumed by a transferee in an Asset Sale; and

(d) the incurrence by the Company of Indebtedness represented by Exchange Notes; provided, however, that at any time the Company could not (except by reason of this clause (d)) incur the Indebtedness represented by

the Exchange Notes under this Section 1008, any interest payment thereon shall be counted as a payment under clause (B)(ii) of the penultimate paragraph of Section 1009.

Indebtedness or Disqualified Capital Stock of any Person which is outstanding at the time such Person becomes a Subsidiary of the Company (including upon designation of any subsidiary or other person as a Subsidiary) or is merged with or into or consolidated with the Company or a Subsidiary of the Company shall be deemed to have been incurred at the time such Person becomes such a Subsidiary of the Company or is merged with or into or consolidated with the Company or a Subsidiary of the Company, as applicable.

Notwithstanding anything to the contrary contained in this Indenture, (i) the Subsidiaries each may guaranty Indebtedness of the Company or any other Subsidiary that is permitted to be incurred under the Indenture, at the time the Company or such other Subsidiary incurs such Indebtedness, and (ii) the Company may guaranty Indebtedness of any Subsidiary permitted to be incurred under this Indenture.

Notwithstanding anything to the contrary contained in this Indenture, the Company shall not incur any Indebtedness that is contractually subordinate to any other Indebtedness of the Company unless such Indebtedness is at least as subordinate to the Notes.

SECTION 1009. Limitation on Restricted Payments.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, make any Restricted Payment if, after giving effect to such Restricted Payment on a pro forma basis:

(1) a Default or an Event of Default shall have occurred and be continuing,

(2) Principal Subsidiary is not permitted to incur at least $1.00 of additional Indebtedness pursuant to the Debt Incurrence Ratio in Section 1008,

(3) in the case of Principal Subsidiary and its Subsidiaries, the aggregate amount of all Restricted Payments made by Principal Subsidiary and its Subsidiaries, including after giving effect to such proposed Restricted Payment, from and after the Issue Date, would exceed the sum of:

(a) 50% of the aggregate Consolidated Net Income of Principal Subsidiary for the period (taken as one accounting period), commencing on the first day after the Issue Date, to and including the last day of the fiscal quarter ended immediately prior to the date of each such calculation (or, in the event Consolidated Net Income for such period is a deficit, then minus 100% of such deficit), plus

(b) the aggregate Net Cash Proceeds received by Principal Subsidiary from the sale of Principal Subsidiary's Qualified Capital Stock (other than in each case (i) to a Subsidiary of Principal Subsidiary, and (ii) to the extent applied in connection with a Qualified Exchange,) or

(4) in the case of the Company, the aggregate amount of all Restricted Payments made by the Company and its Subsidiaries, including after giving effect to such proposed Restricted Payment, from and after the Issue Date, would exceed the sum of:

(a) 50% of the aggregate Consolidated Net Income of the Company for the period (taken as one accounting period), commencing on the first day after the Issue Date, to and including the last day of the fiscal quarter ended immediately prior to the date of each such calculation (or, in the event Consolidated Net Income for such period is a deficit, then minus 100% of such deficit), plus

(b) the aggregate Net Cash Proceeds received by the Company from the sale of the Company's Qualified Capital Stock (other than in each case (i) to a Subsidiary of the Company, (ii) to the extent applied in connection with a

Qualified Exchange and (iii) to the extent applied to repurchase Capital Stock pursuant to clause (e) of the definition of Permitted Payments).

The provisions of the immediately preceding paragraph will not prohibit or be violated by reason of (A) a Qualified Exchange; (B) (i) the payment or making of any Restricted Payment within 60 days after the date of declaration thereof or the making of any binding commitment in respect thereof, if at said date of declaration or commitment, such restricted payment would have complied with the provisions contained in clauses (1), (2), (3) and (4), as applicable, of the immediately preceding paragraph, and (ii) the making of any cash dividend payment on or after December 1, 2004 on the Company's Series A Preferred Stock, if at said date of declaration or commitment, such Restricted Payment would have complied with the provisions contained in clause (1) of the immediately preceding paragraph; and (C) Permitted Payments. The full amount of any Restricted Payment made pursuant to the foregoing clause (B) (but not pursuant to clauses (A) or (C)) of the immediately preceding sentence, however, will be deducted in the calculation of the aggregate amount of Restricted Payments available to be made referred to in clause (4) of the immediately preceding paragraph.

For purposes of this covenant, the amount of any Restricted Payment, if other than in cash, shall be the fair market value thereof, as determined in the good faith reasonable judgment of the Board of Directors of the Company.

SECTION 1010. Limitations on Dividends and Other Payment Restrictions Affecting Subsidiaries.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, assume or suffer to exist any consensual encumbrance or restriction on the ability of any Subsidiary of the Company (i) to pay, directly or indirectly, dividends or make any other distributions in respect of its Capital Stock or pay any Indebtedness or other obligation owed to the Company or any other Subsidiary of the Company; (ii) to make or pay loans or advances to the or in behalf of Company or any Subsidiary

of the Company; or (iii) to transfer any of its property or assets to or in behalf of the Company or any Subsidiary of the Company, except:

(a) restrictions imposed by the Notes or this Indenture or by other indebtedness of the Company ranking pari passu with the Notes, provided such restrictions are not materially more restrictive than those imposed by this Indenture and the Notes,

(b) restrictions imposed by applicable law,

(c) existing restrictions under Indebtedness outstanding on the Issue Date, including the Principal Subsidiary Notes, or under other indebtedness of a Subsidiary ranking pari passu with the Principal Subsidiary Notes or a guarantee thereof, provided such restrictions are not materially more restrictive than those imposed by the Principal Subsidiary Indenture and the Principal Subsidiary Notes,

(d) restrictions under any Acquired Indebtedness not incurred in violation of this Indenture or any agreement relating to any property, asset, or business acquired by the Company or any of its Subsidiaries, which restrictions in each case existed at the time of acquisition, were not put in place in connection with or in anticipation of such acquisition and are not applicable to any person, other than the person acquired, or to any property, asset or business, other than the property, assets and business so acquired,

(e) any such restriction or requirement imposed by Indebtedness incurred under the Credit Agreement in accordance with this Indenture, provided such restriction or requirement is not materially more restrictive than that imposed by the CIT Credit Facility as of the Issue Date,

(f) restrictions with respect solely to a Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of all or substantially all of the Equity Interests or assets of such Subsidiary, provided such restrictions apply solely to the Equity Interests or assets of such Subsidiary which are being sold,

(g) restrictions on transfer contained in Purchase Money Indebtedness incurred pursuant to paragraph (a) of Section 1008, provided such restrictions relate only to the transfer of the property acquired with the proceeds of such Purchase Money Indebtedness, and

(h) in connection with and pursuant to permitted Refinancings, replacements of restrictions imposed pursuant to clauses (a), (c), (d), (e), or (g) of this section that are not materially more restrictive than those being replaced and do not apply to any other person or assets than those that would have been covered by the restrictions in the Indebtedness so refinanced.

Notwithstanding the foregoing, neither (a) customary provisions restricting subletting or assignment of any lease entered into in the ordinary course of business, consistent with industry practice, nor (b) Liens permitted under the terms of this Indenture shall in and of themselves be considered a restriction on the ability of the applicable Subsidiary to transfer such agreement or assets, as the case may be.

SECTION 1011. Limitation on Liens.

The Company will not create, incur, assume or suffer to exist, to secure any Indebtedness, any Lien of any kind, other than permitted Liens, upon any of its assets now owned or acquired on or after the date of this Indenture or upon any income or profits therefrom unless the Company provides that the Notes are equally and ratably so secured for so long as such Indebtedness so secured remains outstanding; provided that, if such Indebtedness is Subordinated Indebtedness, the Lien securing such Subordinated Indebtedness shall be subordinate and junior to the Lien securing the Notes with the same relative priority as such Subordinated Indebtedness shall have with respect to the Notes.

SECTION 1012. Limitation on Transactions with Affiliates.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly enter into any contract, agreement, arrangement or transaction with any

Affiliate (an "Affiliate Transaction") , or any series of related Affiliate Transactions (other than Exempted Affiliate Transactions) , unless the terms of such Affiliate Transaction are fair and reasonable to the Company or such Subsidiary, as the case may be, and are at least as favorable as the terms which could reasonably be expected to be obtained by the Company or such Subsidiary, as the case may be, in a comparable transaction made on an arm's length basis with persons who are not Affiliates.

Without limiting the foregoing, in connection with any Affiliate Transaction or series of related Affiliate Transactions (other than Exempted Affiliate Transactions) (1) involving consideration to either party in excess of $1.0 million, the Company must deliver an Officers' Certificate to the Trustee, stating that the terms of such Affiliate Transaction are fair and reasonable to the Company, and no less favorable to the Company than could reasonably be expected to have been obtained in an arm's length transaction with a non-Affiliate, and (2) involving consideration to either party in excess of $5.0 million, the Company must also, prior to the consummation thereof, obtain a favorable written opinion as to the fairness of such transaction to the Company from a financial point of view from an independent investment banking firm of national reputation or, if pertaining to a matter for which such investment banking firms do not customarily render such opinions, an appraisal or valuation firm of national reputation; provided, however, that this sentence shall not apply to the sale or purchase of products by the Company or its Subsidiaries to or from any Affiliate of LGP or any Related Party thereof, which sale or purchase is in the ordinary course of business and in accordance with industry practice.

SECTION 1013. Limitation on Certain Sales of Capital Stock of Subsidiaries and Certain Assets.

The Company shall not, and shall not permit any of its Subsidiaries to, in one or a series of related transactions, convey, sell, transfer, assign or otherwise dispose of, directly or indirectly, any of its property, business or assets (other than cash or Cash Equivalents) including by merger or consolidation (in the case of a Subsidiary), and including any sale or other transfer or issuance of any Equity Interests (other than directors

qualifying shares) of any Subsidiary of the Company, whether by the Company or a Subsidiary of the Company, and including (except as provided in clause (vi) of the third paragraph of this section) any Sale and Leaseback Transaction (any of the foregoing, an "Asset Sale"), unless:

(1) (a) within 390 days after the date of such Asset Sale, the Net Cash Proceeds therefrom (the "Asset Sale Offer Amount") are applied to the optional redemption of the Notes in accordance with the terms of this Indenture and other Indebtedness of the Company ranking on a parity with the Notes from time to time outstanding with similar provisions requiring the Company to make an offer to purchase or redeem such Indebtedness with the proceeds of asset sales, pro rata in proportion to the respective principal amounts (or accreted values in the case of Indebtedness issued with an original issue discount) of the Notes and such other Indebtedness then outstanding or to the repurchase of the Notes and such other Indebtedness pursuant to a cash offer (subject only to conditions required by applicable law, if any) (pro rata in proportion to the respective principal amounts (or accreted values in the case of Indebtedness issued with an original issue discount) of the Notes and such other Indebtedness then outstanding) (the "Asset Sale Offer") at a purchase price of 100% of the principal amount thereof (or the Accreted Value thereof, in the case of Indebtedness issued with an original issue discount) (the "Asset Sale Offer Price") together with accrued and unpaid interest, if any, to the date of payment, made within 370 days of such Asset Sale, or

(b) within 390 days following such Asset Sale, the Asset Sale Offer Amount is used (i) to make one or more Acquisitions or invested in assets and property (other than notes, bonds, obligations and securities) which in the good faith reasonable judgment of the Board of Directors of the Company will constitute or be a part of a Related Business of the Company or such Subsidiary (if it continues to be a Subsidiary) immediately following such transaction or (ii) to retire permanently principal Subsidiary Notes and Indebtedness incurred under the Credit Agreement pursuant to paragraph (c) of Section 1008 (including that in the case of a revolver or similar arrangement

that makes credit available, such commitment is so permanently reduced by such amount),

(2) at least 75% of the consideration for such Asset Sale or series of related Asset Sales consists of cash or Cash Equivalents, provided, however, that (x) the amount of any liabilities (as shown on the Company's most recent consolidated balance sheet) of the Company or any Subsidiary (other than Subordinated Indebtedness) that are assumed by the transferee in such Asset Sale (provided, however, that the Company and its Subsidiaries are released from all obligations in respect thereof) and (y) any notes or other obligations received by the Company or any such Subsidiary from such transferee that are promptly (but in no event more than 90 days after receipt) converted by the Company or such Subsidiary into cash or Cash Equivalents (to the extent of the cash or Cash Equivalents, as the case may be, received) , shall be deemed to be cash or Cash Equivalents, as the case may be, for purposes of this provision, and such cash and Cash Equivalents shall be deemed to be Net Cash Proceeds received from the Asset Sale of the related property sold for such notes or other obligations, for purposes of this covenant, and, provided, further, this clause (2) shall not apply to the sale or disposition of assets as a result of a foreclosure (or a secured party taking ownership of such assets in lieu of foreclosure) or as a result of an involuntary proceeding in which the Company cannot, directly or through its Subsidiaries, direct the type of proceeds received, and

(3) with respect to any Asset Sale or series of related Asset Sales, the Net Cash Proceeds of which exceed $500,000, the Board of Directors of the Company determines in good faith that the Company or such Subsidiary, as applicable, receives fair market value for such Asset Sale.

An acquisition of Notes pursuant to an Asset Sale Offer may be deferred until the accumulated Net Cash Proceeds from Asset Sales not applied to the uses set forth in Clause (1) (b) above (the "Excess Proceeds") exceeds $10 million and that each Asset Sale Offer shall remain open for 20 Business Days following its commencement (the "Asset Sale Offer Period"). Upon expiration of the Asset Sale Offer Period, the Company shall apply the Asset Sale Offer Amount

plus an amount equal to accrued and unpaid interest, if any, to the purchase of all Indebtedness properly tendered (on a pro rata basis if the Asset Sale Offer Amount is insufficient to purchase all Indebtedness so tendered) at the Asset Sale Offer Price (together with accrued interest, if any). To the extent that the aggregate amount of Indebtedness tendered pursuant to an Asset Sale Offer is less than the Asset Sale Offer Amount, the Company may use any remaining Net Cash Proceeds for general corporate purposes as otherwise permitted by the Indenture and following each Asset Sale Offer the Excess Proceeds amount shall be reset to zero.

Notwithstanding the foregoing provisions of this covenant, the following transactions shall not be deemed Asset Sales:

(i) the Company and its Subsidiaries may, in the ordinary course of business, convey, sell, lease, transfer, assign or otherwise dispose of property in the ordinary course of business;

(ii) the Company and its Subsidiaries may (x) convey, sell, lease, transfer, assign or otherwise dispose of assets pursuant to and in accordance with the limitation on mergers, sales or consolidations provisions in the Indenture, (y) make Restricted Payments permitted by Section 1009 and (z) engage in Exempted Affiliate Transactions;

(iii) the Company and its Subsidiaries may convey, sell, transfer, assign or otherwise dispose of assets or issue Capital Stock to the Company or any of the Subsidiaries;

(iv) the Company and its Subsidiaries may sell or dispose of damaged, worn out or other obsolete property in the ordinary course of business so long as such property is no longer necessary for the proper conduct of the business of the Company or such Subsidiary, as applicable;

(v) the Company and its Subsidiaries may exchange assets held by the Company or a Subsidiary for assets held by any person or entity; provided that (i) the assets received by the Company or a Subsidiary in any such exchange in the good faith reasonable judgment of

the Board of Directors of the Company will immediately constitute, be a part of, or be used in, a Related Business, (ii) the Board of Directors of the Company has determined that the terms of any exchange are fair and reasonable, and (iii) any such exchange shall be deemed to be an Asset Sale to the extent that the Company or any subsidiary receive cash or Cash Equivalents in such exchange;

(vi) the company and each Subsidiary may engage in Sale and Leaseback Transactions with respect to property acquired after the Issue Date (other than property acquired in exchange for or with the proceeds from the sale or other disposition of property held by the Company or any Subsidiary on the Issue Date);

(vii) the Company and each Subsidiary may liquidate Cash Equivalents in the ordinary course of business;

(viii) the Company and each Subsidiary may create or assume Liens (or permit any foreclosure thereon) not prohibited by the Indenture;

(ix) the Company and each Subsidiary may surrender or waive contract rights or the settlement, release or surrender of contract, tort or other claims of any kind; and

(x) the Company and its Subsidiaries, collectively, may convey, sell, transfer, assign or otherwise dispose of assets having an aggregate fair market value not exceeding $2.0 million in any fiscal year.

All Net Cash Proceeds from an Event of Loss (other than the proceeds of any business interruption insurance) shall be invested or otherwise used as provided in Clause (1) of the first paragraph of this Section, all within 19 months from the occurrence of such Event of Loss.

Any Asset Sale Offer will be made in compliance with all applicable laws, rules and regulations, including, if applicable, Regulation 14E under the Exchange Act and the rules thereunder and all other applicable Federal and state securities laws and any provisions of the Indenture which conflict with such laws shall be deemed to be superseded by the provisions of such laws.

If the payment date in connection with an Asset Sale Offer hereunder is on or after an interest payment Record Date and on or before the associated Interest Payment Date, any accrued and unpaid interest will be paid to the person in whose name a Note is registered at the close of business on such Record Date, and such interest will not be payable to Holders who tender Notes pursuant to such Asset Sale Offer.

The Company and the Trustee shall perform their respective obligations specified in the Asset Sale Offer. On or prior to the Purchase Date, the Company shall (i) accept for payment (on a pro rata basis, if necessary) Notes or portions thereof tendered pursuant to the Offer, (ii) deposit with the paying agent (or, if the Company is acting as its own paying agent, segregate and hold in trust as provided in Section 1003) money sufficient to pay the purchase price of all Notes or portions thereof so accepted and (iii) deliver or cause to be delivered to the Trustee all Notes so accepted together with an Officers' Certificate stating the Notes or portions thereof accepted for payment by the Company. The paying agent (or the Company, if so acting) shall promptly mail or deliver to Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail or deliver to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered. Any Note not accepted for payment shall be promptly mailed or delivered by the Company to the Holder thereof.

SECTION 1014. Limitation on Issuances and Sales of Capital Stock of Wholly Owned Subsidiaries.

The Company will not sell, and its Subsidiaries will not issue or sell, any shares of Capital Stock (other than directors qualifying shares) of any Subsidiary of the Company to any person other than the Company or a wholly owned Subsidiary of the Company, except for shares of common stock with no preferences or special rights or privileges and with no redemption or prepayment provisions. Notwithstanding the foregoing, (a) the Company and the Subsidiaries may consummate an Asset Sale of all of the Capital Stock owned by the Company and the Subsidiaries of any Subsidiary and (b) the Company or any Subsidiary may pledge, hypothecate or otherwise grant a Lien on any Capital

Stock of any Subsidiary to the extent not prohibited under Section 1011 or Section 1016.

SECTION 1015. Change of Control.

(a) Upon the occurrence of a Change of Control, each Holder of Notes will have the right, at such Holder's option, pursuant to an offer (subject only to conditions required by applicable law, if any) by the Company (the "Change of Control Offer") , to require the Company to repurchase all or any part of such holder's Notes (provided, that the principal amount of such Notes must be $1,000 or an integral multiple thereof) on a date (the "Change of Control Purchase Date") that is no later than 120 days after the occurrence of such Change of Control, at a cash price equal to the applicable Redemption Price set forth in the Note (assuming the Notes were redeemed on the Change of Control Purchase Date) (the "Change of Control Purchase Price") together with accrued and unpaid interest, if any, to the Change of Control Purchase Date. The Change of Control Offer shall be made within 90 days following a Change of Control and shall remain open for 20 Business Days following its commencement (the "Change of Control Offer Period"). Upon expiration of the Change of Control Offer Period, the Company promptly shall purchase all Notes properly tendered in response to the Change of Control Offer.

(b) As used herein, a "Change of Control" means:

(i) any merger or consolidation of the Company or Principal Subsidiary with or into any person or any sale, transfer or other conveyance, whether direct or indirect, of all or substantially all of the assets of the Company or Principal Subsidiary on a consolidated basis, in one transaction or a series of related transactions, if, immediately after giving effect to such transaction(s), any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than any Excluded Person or Excluded Persons or (in the case of Principal Subsidiary) the Company, is or becomes the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power in the aggregate normally entitled to vote in the election of directors, managers, or trustees, as applicable, of the transferee(s) or surviving entity or entities,

(ii) any "person" or "group," other than any Excluded Person or Excluded Persons or (in the case of Principal Subsidiary) the Company, is or becomes the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of Capital Stock of the Company or the Principal Subsidiary then outstanding normally entitled to vote in elections of directors, provided, however, that any "person" or "group" will be deemed to be the Beneficial Owner of any Capital Stock of Principal Subsidiary held by the Company so long as such person or group is the Beneficial Owner of, directly or indirectly, in the aggregate a majority of the Capital Stock of the Company then outstanding normally entitled to vote in elections of directors,

(iii) during any period of 12 consecutive months after the Issue Date, individuals who at the beginning of any such 12-month period constituted the Board of Directors of either the Company or Principal Subsidiary, (together, in each case, with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company or Principal Subsidiary was approved by LGP or a Related Party of LGP or by the Excluded Persons or by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company or Principal Subsidiary then in office, as applicable, or

(iv) at any time after the Issue Date, Principal Subsidiary no longer continues, for Federal income tax purposes, to be a member of the affiliated group of the Company under circumstances that would accelerate the unrealized gain in respect of the Company's investment account in Principal Subsidiary.

(c) On or before the Change of Control Purchase Date, the Company will (i) accept for payment Notes or portions thereof properly tendered pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent cash sufficient to pay the Change of Control Purchase Price (together with accrued and unpaid interest, if any), of all Notes so tendered and (iii) deliver to the Trustee Notes so

accepted together with an Officers' Certificate listing the Notes or portions thereof being purchased by the Company. The Paying Agent (or the Company, if so acting) promptly will pay the Holders of Notes so accepted an amount equal to the Change of Control Purchase Price (together with accrued and unpaid interest, if any), and the Trustee promptly will authenticate and deliver to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered. Any Notes not so accepted will be delivered promptly by the Company to the Holder thereof. The Company publicly will announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

(d) Any Change of Control Offer will be made in compliance with all applicable laws, rules and regulations, including, if applicable, Regulation 14E under the Exchange Act and the rules thereunder and all other applicable Federal and state securities laws and any provisions of the Indenture which conflict with such laws shall be deemed to be superseded by the provisions of such laws.

(e) If the Change of Control Purchase Date hereunder is on or after an interest payment Record Date and on or before the associated Interest Payment Date, any accrued and unpaid interest will be paid to the person in whose name a Note is registered at the close of business on such Record Date, and such interest will not be payable to Holders who tender the Notes pursuant to the Change of Control Offer.

(f) Prior to making a Change of Control Offer pursuant to paragraph (a), but in any event within 90 days following such Change of Control, the Company will (i) obtain any required consents under the Credit Agreement and the Principal Subsidiary Notes to permit the making of the Change of Control Offer and the purchase of Notes pursuant to this Section 1015, or (ii) repay all or a portion of the outstanding Indebtedness of its Subsidiaries to the extent necessary (including, if necessary, payment in full of such Indebtedness and payment of any prepayment premiums, fees, expenses or penalties) to permit the making of the Change of Control Offer and the purchase of Notes pursuant to this Section 1015 without such consent.

SECTION 1016. Reserved.

SECTION 1017. Investment Company.

The Company will not, and will not permit any of its Subsidiaries to, be required to register as an "investment company" (as that term is defined in the Investment Company Act of 1940, as amended), or otherwise become subject to registration under the Investment Company Act.

SECTION 1018. Statement by Officers as to Default; Compliance Certificates.

(a) The Company will deliver to the Trustee, within 90 days after the end of each fiscal year, and within 60 days after the end of each fiscal quarter (other than the fourth fiscal quarter), of the Company ending after the date hereof an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of Section 801 or Sections 1004 to 1017, inclusive, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

(b) The Company shall deliver to the Trustee, as soon as possible and in any event within 10 days after the Company becomes aware or should reasonably become aware of the occurrence of an Event of Default or an event which, with notice by the Trustee or Holders or the lapse of time or both, would constitute an Event of Default, an Officers' Certificate setting forth the details of such Event of Default or default, and the action which the Company proposes to take with respect thereto.

(c) The Company shall deliver to the Trustee within 90 days after the end of each fiscal year a written statement by the Company's independent public accountants stating (A) that their audit examination has included a review of the terms of this Indenture and the Notes as they relate to accounting matters, and (B) whether, in connection with their audit examination, any event which, with notice or the lapse of time or both, would constitute an Event of Default has come to their attention and, if such a default

has come to their attention, specifying the nature and period of the existence thereof.

SECTION 1019. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any covenant or condition set forth in Section 801 and Sections 1004 to 1017, if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Notes shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect; provided, however, with respect to an Asset Sale Offer and Change of Control Offer has been mailed, no such waiver may be made or shall be effective against any Holder tendering Notes pursuant to such offer, and the Company may not omit to comply with the terms of such offer as to such Holder.

ARTICLE ELEVEN

Redemption of Notes

SECTION 1101. Right of Redemption.

The Notes may be redeemed at the election of the Company, as a whole or from time to time in part, at any time on or after November 30, 2002, at the Redemption Prices specified in the form of Note hereinbefore set forth together with any applicable accrued interest to the Redemption Date. All, but not less than all, of the Notes may be redeemed at the election of the Company, for which notice of redemption may be given at any time prior to November 30, 2002, at a Redemption Price equal to 113.45% of the Accreted Value of the Notes promptly upon (and in no event later than 10 days after) the Company's receipt of cash from the Net Cash Proceeds to the Company of any Public Equity Offering; in such event, the Notes shall be redeemed on a date not less than 30 days nor more than 60 days after the date of such notice.

SECTION 1102. Applicability of Article.

Redemption of Notes at the election of the Company, as permitted by any provision of this Indenture, shall be made in accordance with such provision and this Article.

SECTION 1103. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Notes pursuant to Section 1101 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company of less than all the Notes, the Company shall, at least 30 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee) , notify the Trustee of such Redemption Date and of the principal amount of Notes to be redeemed.

SECTION 1104. Selection by Trustee of Notes to Be Redeemed.

If less than all the Notes are to be redeemed, the particular Notes to be redeemed shall be selected not more than 30 days prior to the Redemption Date by the Trustee, from the outstanding Notes not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to $1,000 or any integral multiple thereof) of the principal amount of Notes of a denomination larger than $1,000.

The Trustee shall, if requested, promptly notify the Company and each Note Registrar in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Notes shall relate, in the case of any Notes redeemed or to be redeemed only in part, to the portion of the principal amount of such Notes which has been or is to be redeemed.

SECTION 1105. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Notes to be redeemed, at his address appearing in the Note Register.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all the Outstanding Notes are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Notes to be redeemed,

(4) that on the Redemption Date the Redemption Price will become due and payable upon each such Note to be redeemed, and

(5) the place or places where such Notes are to be surrendered for payment of the Redemption Price.

Notice of redemption of Notes to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1106. Deposit of Redemption Price.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and any applicable accrued interest on, all the Notes which are to be redeemed on that date.

SECTION 1107. Notes Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Notes so to be redeemed shall, on the Redemption

Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price any applicable accrued interest) such Notes shall not bear interest. Upon surrender of any such Note for redemption in accordance with said notice, such Note shall be paid by the Company at the Redemption Price, together with any applicable accrued interest to the Redemption Date; provided, however, that instalments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Notes, or one or more Predecessor Notes, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate provided by the Note.

SECTION 1108. Notes Redeemed in Part.

Any Note which is to be redeemed only in part shall be surrendered at an office or agency of the Company designated for that purpose pursuant to Section 1002 (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Note without service charge, a new Note or Notes, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Note so surrendered.

ARTICLE TWELVE

Defeasance and Covenant Defeasance

SECTION 1201. Company's Option to Effect Defeasance or Covenant Defeasance.

The Company may at its option by Board Resolution, at any time, elect to have its obligations discharged with

respect to the Outstanding Notes upon compliance with the conditions set forth below in this Article Twelve.

SECTION 1202. Defeasance and Discharge.

Upon the Company's exercise of the option provided in Section 1201 applicable to this Section, the Company shall be deemed to have paid and discharged the entire indebtedness represented, and this Indenture shall cease to be of further effect as to all outstanding Notes ("Legal Defeasance"), except as to(i) rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust funds; (ii) the Company's obligations with respect to such Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes, and the maintenance of an office or agency for payment and money for security payments held in trust; (iii) the rights, powers, trust, duties, and immunities of the Trustee, and the Company's obligations in connection therewith; and (iv) the Legal Defeasance provisions of this Article Twelve, all of which shall survive until otherwise terminated or discharged hereunder. Subject to compliance with this Article Twelve, the Company may exercise its option under this Section 1202 notwithstanding the prior exercise of its option under Section 1203.

SECTION 1203. Covenant Defeasance.

Upon the Company's exercise of the option provided in Section 1201 applicable to this Section, the Company may, at its option and at any time, elect to have the obligations of the Company released with respect to its (i) obligations under Sections 1005 through 1017, inclusive, and Clauses (3), (4) and (5) of Section 801 and (ii) the occurrence of an event specified in Sections 501(3), (with respect to any of Sections 1005 through 1017, inclusive), 501(6) and 501(7) shall not be deemed to be an Event of Default on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"). For this purpose, such covenant defeasance means that the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section or Clause, whether directly or indirectly by reason of any reference elsewhere herein to any such

Section or Clause or by reason of any reference in any such Section or Clause to any other provision herein or in any other document, but the remainder of this Indenture and such Notes shall be unaffected thereby.

SECTION 1204. Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions to application of either Section 1202 or Section 1203 to the then Outstanding Notes:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 609 who shall agree to comply with the provisions of this Article Twelve applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Notes, (A) U.S. legal tender in an amount, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, the principal of (, premium, if any,) and each instalment of interest on the Notes on the Stated Maturity of such principal or instalment of interest in accordance with the terms of this Indenture and of such Notes. The Holders of Notes must have a valid, perfected, exclusive security interest in such trust. For this purpose, "U.S. Government Obligations" means securities that are (x) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (y) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are

not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a) (2) of the Securities Act of 1933, as amended) as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

(2) In the case of an election of Legal Defeasance under Section 1202, before the date that is one year prior to the Stated Maturity, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (x) the Company has received from, or there has been published by the Internal Revenue Service a ruling, or (y) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the Outstanding Notes will not recognize gain or loss for Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred.

(3) In the case of an election of Covenant Defeasance under Section 1203, before the date that is one year prior to the Stated Maturity, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States, reasonably acceptable to such Trustee, to the effect that the Holders of the Outstanding Notes will not recognize gain or loss for Federal income tax purposes as a result of such deposit and Covenant Defeasance and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and covenant defeasance had not occurred.

(4) The Company shall have delivered to the Trustee an Officer's Certificate to the effect that the Notes, if then listed on any Notes exchange, will not be delisted as a result of such deposit.

(5) Such defeasance or covenant defeasance shall not cause the Trustee to have a conflicting interest as defined in Section 608 and for purposes of the Trust Indenture Act with respect to any Notes of the Company.

(6) No Default or Event of Default which with notice or lapse of time or both would become an Event of Default shall have occurred and be continuing on the date of such deposit.

(7) Such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound.

(8) The Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the interest of preferring the Holders of such Notes over any other creditors of the Company or with the intent of defeating, hindering, or delaying or defrauding any other creditors of the Company or others.

(9) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the Legal Defeasance under Section 1202 or the Covenant Defeasance under Section 1203 (as the case may be) have been complied with.

(10) Such defeasance or covenant defeasance shall not result in the trust arising from such deposit constituting an investment company as defined in the Investment Company Act of 1940, as amended, or such trust shall be qualified under such act or exempt from regulation thereunder.

SECTION 1205. Deposited Money and U.S. Government Obligations to be Held in Trust; Other Miscellaneous Provisions.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee -- collectively, for purposes of this Section 1205, the "Trustee") pursuant to Section 1204 in respect of the Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Notes, of all sums due and to become due thereon in respect of principal (and premium, if any) and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 1204 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Outstanding Notes.

Anything in this Article Twelve to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 1204 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance.

SECTION 1206. Reinstatement.

If the Trustee or the Paying Agent is unable to apply any money in accordance with Section 1202 or 1203 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, or if a Default from a bankruptcy or insolvency event occurs at any time during the period ending

on the 91st day after the date of a deposit by the Company hereunder, then the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article Twelve until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 1202 or 1203; provided, however, that if the Company makes any payment of principal of (and premium, if any) or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or the Paying Agent.

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

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

BIG 5 HOLDINGS CORP.

By /s/ Charles P. Kirk

Attest:

/s/ Gary S. Meade

FIRST TRUST NATIONAL ASSOCIATION

By /s/ K. Barrett

Attest:

/s/ illegible

FOR PURPOSES OF SECTIONS 1272, 1273 and 1275 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND PURSUANT TO SECTION 1.1275-3(b), THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT, THE ISSUE PRICE OF THIS NOTE IS 50.80% OF ITS PRINCIPAL AMOUNT, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ON THIS NOTE IS $1,299 PER $1,000 OF STATED FACE AMOUNT, THE ISSUE DATE IS NOVEMBER 13, 1997 AND THE YIELD TO MATURITY IS _____%.

THESE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS (i) A REGISTRATION STATEMENT UNDER THE ACT SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO AND ALL APPLICABLE QUALIFICATIONS UNDER STATE SECURITIES LAWS SHALL HAVE BEEN OBTAINED WITH RESPECT THERETO; OR (ii) A WRITTEN OPINION FROM COUNSEL FOR THE HOLDER REASONABLY SATISFACTORY TO THE COMPANY HAS BEEN OBTAINED STATING THAT NO SUCH REGISTRATION OR QUALIFICATION IS REQUIRED.

SENIOR DISCOUNT NOTES DUE 2008

No. $48,225,000

Big 5 Holdings Corp., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Ares Leveraged Investment Fund, L.P., or registered assigns, the principal sum of Forty Eight Two Hundred Twenty Five Thousand Dollars on November 30, 2008, and to pay interest thereon from November 30, 2002 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on May 31 and November 30 in each year, commencing May 31, 2003, at 13.45% until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the rate of 15.45% per annum on any overdue principal and premium] and on any overdue installment of interest until paid as specified on the reverse hereof.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is

registered at the close of business on the Regular Record Date for such interest, which shall be the May 15 or November 15 (whether or not a Business Day), as the case may be, next preceding such interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

The principal of this Note shall not accrue interest until November 30, 2002, except in the case of a default in payment of principal upon acceleration or redemption and, in such case, the interest payable pursuant to the preceding paragraph on the overdue principal as specified on the reverse hereof shall be payable on demand and, if not so paid on demand, such interest shall itself bear interest at the rate of 15.45% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of such demand for payment to the date payment of such interest has been made or duly provided for, and such interest or unpaid interest shall also be payable on demand.

Payment of the principal of (and premium, if any) and interest on this Note will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Note Register.

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

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

BIG 5 HOLDINGS CORP.

[Seal]

By: /s/ Robert W. Miller

Title:

Attest:

- ---
Title:

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

Dated:

FIRST TRUST NATIONAL ASSOCIATION
---
as Trustee

By: /s/ illegible

Authorized Officer

This Note is one of a duly authorized issue of Notes of the Company designated as its Senior Discount Notes due 2008 (herein called the "Notes?), limited in aggregate principal amount to $48,225,000 issued and to be issued under an Indenture, dated as of November 13, 1997 (herein called the "Indenture?), between the Company and First Trust National Association, as Trustee (herein called the "Trustee?, which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered.

The Notes are subject to redemption upon not less than 30 nor more than 60 days' notice by mail, at any time on or after November 30, 2002, as a whole or in part, at the election of the Company, at a Redemption Price which, if during the twelve month period beginning November 30, 2002 is equal to 110% of the principal amount of this Note; if during the twelve month period beginning November 30, 2003 is equal to 106.67% of the principal amount of this Note; if during the twelve month period beginning November 30, 2004 is equal to 103.33% of the principal amount of this Note; and thereafter is equal to 100% of the principal amount of this Note, in each case plus interest thereon accruing from November 30, 2002 or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate of 13.45% per annum, provided that interest installments whose Stated Maturity is on or prior to such Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

Notwithstanding the foregoing, at any time prior to November 30, 2002, the Company may give notice of redemption for all, but not less than all, of this Note at a Redemption Price equal to 113.45% of the Accreted Value of this Note promptly upon (and in no event later than 10 days after) the Company's receipt of cash from the Net Cash Proceeds to the Company of any Public Equity Offering. In such event, the Note shall be redeemed on a date not less than 30 days nor more than 60 days after the date of such notice.

The Notes do not have the benefit of any sinking fund obligations.

In the event of redemption or purchase pursuant to an Asset Sale Offer or Change of Control Offer of this Note in part only, a new Note or Notes for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default shall occur and be continuing, there may be declared due and payable the Default Amount of the Securities, in the manner and with the effect provided in the Indenture. Until and including November 30, 2002, the Default Amount in respect of this Note as of any particular date of acceleration shall equal the Accreted Value of this Note. For this purpose, Accreted Value means the Adjusted Issue Price as of the first day of the Accrual Period in which the date of acceleration occurs increased by the daily portion of the Original Issue Discount for each day in such Accrual Period ending on the date of acceleration. Such Default Amount shall bear interest at the rate of 15.45% per annum (to the extent that the payment of such interest shall be legally enforceable), which shall accrue from the date of acceleration to the date payment has been made or duly provided for. On and after November 30, 2002, the Default Amount in respect of this Note shall equal 100% of the principal amount of this Note. Such Default Amount shall bear interest at the rate of 15.45% per annum from November 30, 2002 or the most recent Interest Payment Date to which interest has been paid or duly provided for. Upon payment of (i) the Default Amount so declared due and payable and any overdue installment of interest, (ii) interest on the Default Amount and (iii) as provided on the face hereof, interest on any overdue installment of interest or, if acceleration occurs prior to November 30, 2002, on the interest referred to in the third preceding sentence (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and interest on the Notes shall terminate.

The Indenture provides that, subject to certain conditions, if (i) certain Net Cash Proceeds are available to the Company as a result of Asset Sales or (ii) a Change of Control occurs, the Company shall be required to make an Asset Sale Offer or Change of Control Offer, respectively, for all of the Notes.

The Indenture contains provisions for defeasance at any time of (i) the entire indebtedness of this Note or (ii) certain restrictive covenants and Events of Default with respect to this Note, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

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

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Note Register, upon surrender of this Note for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York and at any other office or agency maintained by the Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Note Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes are exchangeable for a like aggregate principal amount of Notes of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Accrual Periods and interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months.

No direct or indirect stockholder, employee, officer or director, as such, past, present or future of the Company, the Subsidiaries or any successor entity shall have any personal liability in connection with this Note solely by reason of his or its status as such stockholder, employee, officer or director. Each Holder by accepting this Note waives and releases all such liability, acknowledges and consents to the transactions constituting the Recapitalization and further acknowledges the waiver and release are part of the consideration for the issuance of this Note.

All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Indenture and this Note shall be governed by and construed in accordance with the laws of the State of New York.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased in its entirety by the Company pursuant to Section 1013 or 1015 of the Indenture, check the box:

[ ]

If you want to elect to have only a part of this Note purchased by the Company pursuant to Section 1013 or 1015 of the Indenture, state the amount: $

Dated:

Your Signature:

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

Signature Guarantee:

(Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company)

EXHIBIT 10.3

BIG 5 HOLDINGS CORP.

1997 MANAGEMENT EQUITY PLAN

1. Purpose. The purpose of this Plan is to secure for Big 5 Holdings Corp. (the "COMPANY") and its stockholders the benefits arising from stock ownership by officers, directors and selected key employees of the Company and its subsidiaries, including without limitation, Big 5 Corp. ("BIG 5"), a wholly-owned subsidiary of the Company, as the Committee (as hereinafter defined) may from time to time determine.

The Company intends that awards of Purchased Shares and Stock Options, and the issuance of Common Stock upon exercise of Stock Options hereunder (all as hereinafter defined), shall constitute the offer and sale of securities pursuant to a compensatory benefit plan within the meaning of Rule 701 promulgated under the Securities Act of 1933, as amended, and that this 1997 Management Equity Plan (the "PLAN") constitutes a stock option plan and stock purchase plan within the meaning of Section 25102(o) of the California Corporate Securities Law of 1968, as amended.

With respect to Stock Options, the Plan will provide a means whereby (i) key employees may purchase shares of Common Stock of the Company pursuant to Stock Options that will qualify as "incentive stock options" under Section 422 of the Internal Revenue Code of 1986, as amended (the "CODE"), and (ii) such employees may purchase shares of Common Stock of the Company pursuant to "non-incentive" or "non-qualified" Stock Options.

2. Administration. The Plan shall be administered by the Board of Directors of the Company or, in the discretion of the Board, a Committee (in either case, the "COMMITTEE") consisting of three or more directors of the Company to whom administration of the Plan has been duly delegated. If the Committee is not the entire Board of Directors, the Committee shall be appointed by the Board of Directors of the Company. From and after such time as the Company is subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), no director shall be appointed to or shall serve on the Committee who is not a "Non-Employee Director" (as defined in Rule 16b-3 promulgated under the Exchange Act) any other plan of the Company or its affiliates during the period of one year prior to such appointment. Except as otherwise provided in the Company's Certificate of Incorporation or Bylaws, any action of the Committee with respect to administration of the Plan shall be taken by a majority vote at a meeting at which a quorum is duly constituted or unanimous written consent of the Committee's members.

Subject to the provisions of the Plan, the Committee shall have sole and final authority (i) to construe and interpret the Plan, (ii) to define the terms used herein, (iii) to prescribe, amend and rescind rules and regulations relating to the Plan, (iv) to make awards of Purchased Shares and Stock Options hereunder, (v) to determine the individuals to whom and the time or times at which such awards shall be made, the

number of shares of Common Stock to be subject to such awards, the vesting of such awards and the other terms of such awards, (vi) in the case of Stock Options, to determine whether such Stock Options shall be intended as "incentive stock options" or "non-incentive" or "non-qualified" Stock Options under Section 422 of the Code, and (vii) to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Committee shall be binding and conclusive on all participants in the Plan and their legal representatives and beneficiaries.

3. Shares Subject to the Plan. The shares to be allocated under this Plan shall consist of the Company's authorized but unissued Common Stock, $.01 par value per share ("COMMON STOCK"). Subject to adjustment as provided in Section 8 hereof, the aggregate number of shares of the Common Stock which may be allocated to awards made to Participants (as defined) shall not exceed Five Hundred Sixty Thousand (560,000) of such shares (no more than One Hundred Thousand (100,000) of which shall be subject to Stock Options outstanding at any time). Shares of Common Stock issued pursuant to the Plan and subsequently reacquired by the Company shall be available for reissuance under the Plan; and shares of Common Stock that are subject to Stock Options that lapse or terminate without exercise shall be available to be subject to newly issued Stock Options under the Plan or otherwise reissued under the Plan.

4. Eligibility and Participation. All key employees of Big 5 shall be eligible for selection to participate in the Plan (each, a "PARTICIPANT").

5. Awards. A Participant may receive one of more awards hereunder, at any time and from time to time, as determined by the Committee. Awards may be in the form of (i) permitted purchases of Common Stock ("PURCHASED SHARES") or (ii) options to purchase Common Stock ("STOCK OPTIONS"), or any combination of the foregoing, as determined by the Committee. All awards of Purchased Shares shall be pursuant to, and shall be subject to the terms and restrictions provided in, a Management Subscription and Stockholders Agreement substantially in the form approved from time to time by the Committee; and all awards of Stock Options shall be pursuant to, and shall be subject to the terms and restrictions provided in, either a Management Stock Option and Stockholders Agreement or an Employee Stock Option Agreement substantially in the form attached hereto or as approved from time to time by the Committee (collectively, the "GRANT DOCUMENTS"). Subject to the terms of this Plan, the Committee shall determine the exact terms and restrictions included in each of the foregoing agreements, as applicable, with respect to each award to a Participant.

6. Provisions Applicable to Stock Options.

(a) No Stock Option granted hereunder shall have an exercise price which is less than 85% of the fair market value of the Common Stock at the time the Stock Option is granted. In the case of a Stock Option granted to any person who owns Common Stock possessing more than 10% percent of the total combined voting power of all classes of stock of the Company, no Stock Option shall be granted with an exercise

price of less than 110% of the fair market value of the Common Stock at the time of the grant.

(b) If a holder of an "incentive stock option" ceases to be employed by Big 5, the Company or another subsidiary of the Company for any reason other than the option holder's death or permanent disability (within the meaning of Section 22(e)(3) of the Code), the option holder's "incentive stock option" shall not be entitled to incentive treatment under the Code if exercised after more than three months after the date the option holder ceased to be an employee of one of such corporations (unless by its terms such Stock Option sooner expires). If a holder of an "incentive stock option" ceases to be employed by Big 5, the Company or another subsidiary of the Company on account of death or permanent disability (within the meaning of Section 22(e)(3) of the Code), such Stock Option shall not be entitled to incentive treatment under the Code if exercised after one year after the date of such death or permanent disability unless by its terms it sooner expires. During such period after death, any vested unexercised portion of the Stock Option may be exercised by the person or persons to whom the option holder's rights under the Stock Option shall pass by will or the laws of descent and distribution.

To the extent that the aggregate fair market value of Common Stock or other capital stock with respect to which "incentive stock options" are exercisable for the first time by any individual during any calendar year (under all plans of the Company and its parent and subsidiary corporations) exceeds $100,000, such Stock Options shall be treated as Stock Options which are not "incentive stock options."

(c) Stock Options granted hereunder shall have an exercise period not to exceed 120 months from the date the Stock Option is granted.

(d) The right to exercise Stock Options granted hereunder shall vest at a rate of at least 20% per year over five years from the date the option is granted, provided, however, that all Stock Options shall cease to vest immediately upon termination of a Participant's employment for any reason (unless otherwise approved by the Committee); and provided further, that in the case of Stock Options granted to officers or directors, such Stock Options may become fully exercisable, subject to continued employment (unless otherwise approved by the Committee), at any time or during any period as the Committee shall determine.

(e) In the event that any Participant previously granted Stock Options hereunder ceases to be employed Big 5, the Company or another subsidiary of the Company by which Stock Options such Participant had the right to exercise as of the date such individual ceases to be employed by Big 5, the Company or another subsidiary of the Company, such Stock Options will be exercisable:

(i) For at least six months if the Participant ceases to be employed by Big 5, the Company or another subsidiary of the Company because of death or disability; or

(ii) For at least thirty days if the Participant ceases to be employed by Big 5, the Company or another subsidiary of the Company for reasons other than death or disability.

Notwithstanding the foregoing or any provision to the contrary contained in any Grant Document, unless otherwise approved by the Committee, Stock Options granted to any Participant whose employment is terminated for "just cause" shall terminate immediately and cease to be exercisable. "Just Cause" shall mean termination of the Participant' employment as a result of (i) such Participant's violation of any rule or policy of the Company or its subsidiaries that results in damage to the Company or its subsidiaries or which, after written notice to do so, the Participant fails to correct within a reasonable time; (ii) any material failure by the Participant to comply with a reasonable direction of the Board of Directors of the Company or its subsidiaries or the willful misconduct by the Participant in the responsibilities reasonably assigned to him or her; (iii) any willful failure by the Participant to perform his or her job as required to meet the objectives of the Company or its subsidiaries; (iv) the Participant's performing services for any other corporation or person which competes with the Company or its subsidiaries while he or she is employed by the Company or its subsidiaries and without the written approval of the Chief Executive Officer of the Company (or, in case the Chief Executive Officer is the Participant, then by approval of the Company's Board of Directors); (v) conviction by a court of competent jurisdiction of a felony; or (vi) any other action or condition that may result in termination of an employee for cause pursuant to any generally applied standard adopted by the Board of Directors of the Company from time to time.

7. Provisions Applicable to Purchased Shares. No grant of Purchased Shares hereunder shall have a purchase price which is less than 85% of the fair market value of the stock at the time the right to purchase Purchased Shares is granted. In the case a right to purchase Purchased Shares is granted to any person who owns stock possessing more than 10% percent of the total combined voting power of all classes of stock of the Company, such right to purchase Purchased Shares shall be granted with a purchase price of at least 100% of the fair market value of the stock at the time of the grant.

8. Adjustments. If the outstanding shares of the Common Stock of the Company are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company or any other corporation through reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction, or in connection with any merger or reorganization, (i) an appropriate and proportionate adjustment shall be made in the maximum number and kind of shares which may be awarded under this Plan and (ii) the restrictions and rights set forth in this Plan or any of the Grant Documents shall apply with respect to such other capital stock to the same extent as they are, or would have been applicable, to the Common Stock on or with respect to which such other capital stock was distributed or exchanged.

Adjustments under this paragraph 8 shall be made by the Committee, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

9. Nontransferability of Stock Options or Rights to Purchase Shares. Stock Options and a Participant's rights to purchase Purchased Shares granted hereunder may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant.

10. Amendment and Termination of the Plan. Subject to Section 11 of the Plan, the Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the stockholders of the Company as described in Section 11 of the Plan and shall continue in effect for a term of ten (10) years; provided, however, that the Committee may at any time suspend or terminate the Plan. The Committee may also at any time amend or revise the terms of the Plan.

Notwithstanding the foregoing, no amendment, suspension or termination of the Plan that would materially adversely affect any rights or obligations of any Participant under any Management Subscription and Stockholders Agreement, Management Stock Option and Stockholders Agreement or Employee Stock Option Agreement shall be effective as to such Participant unless there shall have been specific action of the Committee and consent of the Participant.

11. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree required under applicable federal and state law. Stock Options may be granted but not exercised and Purchased Shares may be granted and purchased prior to shareholder approval of the Plan. If any Stock Options are so granted and stockholder approval shall not have been obtained within twelve months of the date of adoption of this Plan by the Board of Directors, such Stock Options shall terminate retroactively as of the date they were granted. If any Purchased Shares are so granted and purchased and shareholder approval shall not have been obtained within twelve months of the date of adoption of this Plan by the Board of Directors, the sale of such Purchased Shared shall be rescinded as of the date granted.

12. No Employment Rights. The selection of any person to receive an award under this Plan shall not give such person any right to be retained in the employment of Big 5, the Company or any of their affiliates and the right and the power of Big 5 to discharge any such person shall not be affected by such award. No person shall have any right or claim whatever, directly, indirectly or by implication, to receive an award, nor any expectancy thereof, unless and until an award in fact shall have been made to such person by the Committee as provided herein. The award to any person hereunder at any time shall not create any right or implication that any other or further award may or shall be made at another time. Each award hereunder shall be separate and distinct

from every other award and shall not be construed as a part of any continuing series of awards or compensation.

13. Annual Financial Information. Each Participant who receives Grant Shares, Purchased Shares or Stock Options shall be provided with a copy of the financial statements of the Company at least annually shall be provided with a copy of financial statements of the Company at least annually.

14. Repurchase Rights. The Grant Documents may include provisions which grant the Company the right to repurchase Purchased Shares, Stock Options or shares of Common Stock acquired upon the exercise of Stock Options substantially similar to the repurchase rights in the form of the Grant Documents attached hereto, provided that such rights comply with any state securities laws or regulations, if any, applicable to the Plan or grants thereunder.

15. Plan Not Exclusive. The Plan is not exclusive. The Company may have other plans, programs and arrangements for compensation or the issuance of shares or options. The Plan does not require that Participants hereunder be precluded from participation in such other plans, programs and arrangements.

NOVEMBER 1997 MANAGEMENT SUBSCRIPTION AND STOCKHOLDERS AGREEMENT ATTACHED HERETO.

EXHIBIT 10.14

The CIT Group/
Business Credit, Inc.
3rd Floor
300 South Grand Avenue
Los Angeles, CA 90071
Tel: (213) 613-2575
Fax: (213) 613-2588

December 16, 1997

Big 5 Corp.
2525 East El Segundo Boulevard
El Segundo, CA 90245

Dear Sirs:

We refer to the Financing Agreement, dated March 8, 1996 (as previously amended, the "Agreement") between Big 5 Corp., a Delaware corporation, as borrower (the "Company") and The CIT Group/Business Credit, Inc., as agent and lender (individually the "Agent", and together with the other lenders, the "Lenders"). Capitalized terms not otherwise defined herein shall be as defined in the Agreement. The Company and the Lenders hereby agree that the Agreement is amended, as follows:

1. The last sentence in paragraph 1 of Section 3 of the Agreement is hereby amended by deleting the word "herein", and inserting in lieu thereof the words "in the second sentence of this paragraph 1 of Section 3 of this Financing Agreement".

2. Clause (b) of paragraph 10 of Section 12 of the Agreement is hereby amended by deleting the words "in bulk", and inserting in lieu thereof the wards "with a value greater than $2,500,000.00"

3. The word "third" set forth in the first sentence of paragraph 11 of Section 12 is hereby deleted, and the word "fifth" is inserted in lieu thereof.

Except as otherwise hereinabove provided, no other amendment or modification of the Agreement is hereby intended or implied. If the foregoing is in accordance with your understanding, please so indicate by signing and returning to us the enclosed copy of this letter. Very truly yours,

The CIT Group/Business Credit, Inc.
(as Agent and Lender)

By: /s/ Illegible

Title: Vice President

Read and Agreed to:

Big 5 Corp.

By: /s/ Charles P. Kirk

Title: Sr. Vice President / CFO

BT Commercial Corporation (as Lender)

By: /s/ Illegible

Title:

National Bank of Canada (as Lender)

By: /s/ Illegible /s/ John Curry

Title: Vice President Vice President

Sanwa Business Credit Corporation (as Lender)

By: /s/ Illegible

Title: Vice President

Transamerica Business Credit (as Lender)

By: /s/ Thomas Fernandes

Title: Senior Account Executive

EXHIBIT 10.15

FIFTH AMENDMENT TO FINANCING AGREEMENT

This FIFTH AMENDMENT TO FINANCING AGREEMENT (this "Amendment"), dated as of March 21, 2000, is entered into by and among Big 5 Corp., a Delaware corporation, successor by merger to United Merchandising Corp. (the "Borrower"), each of the financial institutions that is a signatory to this Amendment (collectively, the "Lenders") and The CIT Group/Business Credit, Inc., as agent for the Lenders (in such capacity, the "Agent"), and amends that certain Financing Agreement, dated as of March 8, 1996 (as the same is in effect immediately prior to the effectiveness of this Amendment, the "Existing Financing Agreement" and as the same may be amended, supplemented or modified and in effect from time to time, the "Financing Agreement"), by and among the Borrower, the Agent and the Lenders from time to time party to the Financing Agreement. Capitalized terms used and not otherwise defined in this Amendment shall have the same meanings in this Amendment as set forth in the Financing Agreement.

RECITAL

The Borrower has requested that the Agent and the Lenders amend Section 6, Paragraph 9, Subparagraph G of the Existing Financing Agreement and delete Section 6, Paragraph 10 of the Existing Financing Agreement and the Agent and the Lenders are willing to agree to so amend the Existing Financing Agreement on the terms and subject to the conditions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth below and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

Section 1. Amendments. On the terms of this Amendment and subject to the satisfaction of the conditions precedent set fort below in Section 2:

(a) Section 6, Paragraph 9, Subparagraph G of the Existing Financing Agreement is hereby amended to read in its entirety as follows:

> "Declare or pay any dividend of any kind on, or purchase, acquire, redeem or retire, any of its capital stock or equity interest of any class whatsoever, whether now or hereafter outstanding, except that (i) the Company may declare and pay dividends on its capital stock (a) in cash in (1) amounts sufficient to enable the Parent to purchase, acquire or redeem the capital stock owned by its employees or its retired, deceased or terminated officers, directors or shareholders which the Parent is contractually obligated or

entitled to purchase, acquire or redeem and (2) additional amounts not to exceed the sum of $3,000,000 and tenet cash proceeds realized from sales by the Company in such fiscal year of its capital stock in any fiscal year; provided, however, that if the Company does not declare and pay dividends in any fiscal year of up to the sum of $3,000,000 and the net cash proceeds realized from sales by the Company in such fiscal year of its capital stock, the difference may be added to the amount permitted in subsequent fiscal years and provided, further, that such dividends may not be declared and paid, on or after May 1, 1996, if a Default or Event of Default is then in existence or will be in existence after giving effect to such dividends, (b) in kind, (c) in cash in an amount sufficient to (1) enable the Parent to pay income or franchise taxes of the Company due as a result of the filing of a consolidated, combined or unitary tax return in which the operations of the Company are included or (2) reimburse the Parent for out-of-pocket expenses incurred by the Parent for the joint or several benefit of the Parent and the Company, and fees and expenses of its directors for attending the Board of Directors' meeting or (d) in cash to the Parent on or after May 15, 2003, provided, that such dividends may not be declared or paid if a Default or Event of Default is then in existence or will be in existence after giving effect to the payment of such dividends and provided, further that such dividends may not be declared or paid if they are prohibited under the terms and conditions of the Senior Notes and (ii) the Company may repurchase the Senior Notes, and declare and pay dividends on its capital stock in cash to the Parent to enable the Parent to repurchase its 13.45% Subordinated Exchange Debentures Due 2009 (the "Parent Debentures"), provided, that (a) the aggregate amount of all such repurchases and dividends shall not exceed $35,000,000, (b) the aggregate amount of dividends paid to the Parent for purposes of repurchasing the Parent Debentures shall not exceed $10,000,000, (c) the amount paid for each such repurchase shall not exceed 105% of par value of the Senior Notes or the Parent Debentures, as the case may be and (d) both before and after giving effect to the making of such repurchase or dividend, no Default or Event of Default shall have occurred and be continuing;"

(b) Section 6, Paragraph 10 of the Financing Agreement is hereby deleted in its entirety.

(c) Section 9, Paragraph 1 of the Existing Financing Agreement is hereby amended by deleting the period at the end of clause (k), and inserting the following in lieu thereof:

"and, provided, further, that the Company may make the repurchases and dividends permitted under Section 6, Paragraph 9, Subparagraph G of this Financing Agreement."

Section 2. Conditions to Effectiveness. The amendments set forth in Section 1 of this Amendment shall become effective only upon the satisfaction of all of the following conditions precedent (the date of satisfaction of all such conditions being referred to as the "Amendment Effective Date"):

(a) On or before the Amendment Effective Date, the Agent shall have received, on behalf of the Lenders, this Amendment, duly executed and delivered by the Borrower, the Lenders and the Agent.

(b) On or before the Amendment Effective Date, all corporate, partnership and other proceedings taken or to be taken in connection with the transactions contemplated by this Amendment, and all documents incidental thereto, shall be reasonably satisfactory in form and substance to the Agent and its counsel, and the Agent and such counsel shall have received all such counterpart originals or certified copies of such documents as they may reasonably request.

(c) The representations and warranties set forth in this Amendment shall be true and correct as of the Amendment Effective Date.

Section 3. Representations and Warranties. In order to induce the Agent and the Lenders to enter into this Amendment and to amend the Existing Financing Agreement in the manner provided in this Amendment, the Borrower represents and warrants to the Agent and each Lender as of the Amendment Effective Date as follows:

(a) Power and Authority. The Borrower has all requisite corporate power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Existing Financing Agreement as amended by this Amendment (hereafter referred to as the "Amended Financing Agreement").

(b) Authorization of Agreements. The execution and delivery of this Amendment by the Borrower and the performance of the Amended Financing Agreement by the Borrower have been duly authorized by all necessary action, and this Amendment has been duly executed and delivered by the Borrower.

(c) Enforceability. The Amended Financing Agreement constitutes the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general. The enforceability of the obligations of the Borrower hereunder is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) No Conflict. The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of the Amended Financing Agreement do not and will not (i) contravene, in any material respect, any provision of any law, regulation, decree, ruling, judgment or order that is applicable to the Borrower or its properties or other assets, (ii) result in a breach of or constitute a default under the charter, bylaws or other organizational documents of the Borrower, or any material agreement, indenture, lease or instrument binding upon the Borrower or its properties or other assets or (iii) result in the creation or imposition of any liens on its properties other than as permitted under the Financing Agreement.

(e) Governmental Consents. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Amendment.

(f) Representations and Warranties in the Financing Agreement. The Borrower confirms that as of the Amendment Effective Date the representations and warranties contained in Section 6 of the Financing Agreement are (before and after giving effect to this Amendment) true and correct in all material respects (except to the extent any such representation and warranty is expressly stated to have been made as of a specific date, in which case it shall be true and correct as of such specific date) and tat no Default or Event of Default has occurred and is continuing.

Section 4. Miscellaneous.

(a) Reference to and Effect on the Existing Financing Agreement.

(i) Except as specifically amended by this Amendment and the documents executed and delivered in connection herewith, the Existing Financing Agreement and each of the agreements, documents and instruments executed in connection therewith (collectively, the "Loan Documents") shall remain in full force and effect and are hereby ratified and confirmed.

(ii) The execution and delivery of this Amendment and performance of the Amended Financing Agreement shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Lenders under, the Existing Financing Agreement or any of the other Loan Documents.

(iii) Upon the conditions precedent set forth herein being satisfied, this Amendment shall be construed as one with the Existing Financing Agreement, and the Existing Financing Agreement shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

(b) Fees and Expenses. The Borrower acknowledges that all costs, fees and expenses incurred in connection with this Amendment will be paid in accordance with Section 7, Paragraph 4 of the Existing Financing Agreement.

(c) Heading. Section and subsection headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

(e) Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(f) Governing Law. This Amendment shall be governed by and construed according to the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first above written.

BORROWER

BIG 5 CORP.

By: /s/ Charles P. Kirk

Name: Charles P. Kirk

Title: Vice President

AGENT

THE CIT GROUP/BUSINESS CREDIT, INC., as agent

By: /s/ Adrian Avalos

Name: Adrian Avalos

Title: AVP

LENDERS

THE CIT GROUP/BUSINES CREDIT, INC.

By: /s/ Adrian Avalos

Name: Adrian Avalos

Title: AVP

FLEET CAPITAL CORPORATION

By: /s/ Mark D. Newlun

Name: Mark D. Newlun

Title: S.V.P.

NATIONAL BANK OF CANADA

By:

Name:

Title:

TRANSAMERICA BUSINESS CREDIT CORPORATION

By: /s/ Robert L. Heinz

Name: Robert L. Heinz

Title: Senior Vice President

BANK OF AMERICA, N.A.

By: /s/ Steven W. Sharp

Name: Steven W. Sharp

Title: Vice President

The undersigned hereby (a) ratifies and reaffirms all of its obligations to the Agent and the Lenders under that certain Guaranty dated March 8, 1996 (the "Guaranty") by Big 5 Holdings Corp., a Delaware corporation, successor by merger to Big 5 Corporation, in favor of the Agent, in connection with its guaranty of all obligations of Big 5 Corp., a Delaware corporation (the "Borrower") to the Agent and the Lenders, (b) consents to the execution and delivery by the Borrower of that certain Fifth Amendment to Financing Agreement. dated March 21, 2000 among the Borrower, the Agent and the Lenders (the "Amendment") and (c) confirms that the Guaranty and all agreements, documents and instruments executed in connection therewith remain in full force and effect. The undersigned agrees that the execution and delivery of this consent and reaffirmation of the Guaranty is not necessary for the continued validity and enforceability of the Guaranty and the agreements, documents and instruments executed in connection therewith, but is executed to induce die Agent and the Lenders to enter into the Amendment.

BIG 5 HOLDINGS CORP

By: /s/ Charles P. Kirk

Name: Charles P. Kirk

Title: Vice President

EXHIBIT 21.1

Subsidiaries of the Registrant

1) Big 5 Corp., a Delaware Corporation. Big 5 Corp. does business as Big 5 Sporting Goods in all states in which it has operations except in Arizona where it does business under the name New Big 5 Corp.

EXHIBIT 23.1

The Board of Directors
Big 5 Sporting Goods Corporation:

The audits referred to in our report dated August 9, 2001, included the related financial statement schedules as of December 31, 2000, and for each of the fiscal years ended December 31, 2000, January 2, 2000 and January 3, 1999, included in the registration statement. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We consent to the use of our reports included herein and to the reference to our firm under the heading "Experts" in the prospectus.

KPMG LLP

Los Angeles, California
August 20, 2001