As filed with the Securities and Exchange Commission on June 5, 2002

Registration No. 333-68094

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2

TO
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)

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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. o

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. o

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. o _____

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. o _____

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

CALCULATION OF REGISTRATION FEE

	Proposed Maximum Aggregate	Amount of

Title of Each Class of Securities to be Registered	Offering price(1)(2)	Registration Fee(3)
Common stock, par value $0.01 per share	$141,680,000	$13,035

(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.

(3) A fee of $28,750 was paid by the Registrant in connection with the initial filing of this Registration Statement on August 21, 2001 and accordingly, no additional registration fee is due at this time.

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.

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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 JUNE , 2002

7,700,000 Shares

Big 5 Sporting Goods Corporation

Common Stock

Prior to this offering, there has been no public market for our common stock. We are selling 6,113,343 shares of common stock and the selling stockholders are selling 1,586,657 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 $14.00 and $16.00 per share. We will apply to list our common stock on The Nasdaq Stock Market's National Market under the symbol "BGFV."

The underwriters have an option to purchase a maximum of 1,155,000 additional shares to cover over-allotments of shares. Of this amount, up to 649,078 shares would be purchased from us and up to 505,922 shares would be purchased from the selling stockholders.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 6.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Big 5 Sporting Goods	Proceeds to Selling Stockholders
Per Share	$	$	$	$
Total	$	$	$	$

Delivery of the shares of common stock will be made on or about , 2002.

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 June , 2002.

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.

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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 , 2002 (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 6.

Big 5 Sporting Goods

Overview

We are the leading sporting goods retailer in the western United States, operating 261 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. We believe that over the past 47 years we have developed a reputation with the competitive and recreational sporting goods customer as a convenient neighborhood sporting goods retailer that consistently delivers value on quality 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 March 31, 2002, we have realized 25 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 March 31, 2002, we generated net sales of $636.4 million and adjusted EBITDA of $58.1 million. From 1997 through the twelve months ended March 31, 2002, our net sales and adjusted EBITDA increased at compounded annual growth rates of 8.9% and 13.0%. 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

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.

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 store format enables us to have substantial flexibility regarding new store locations and also results 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 $226 for the twelve months ended March 31, 2002.

Superior Merchandising Capabilities. We have developed considerable expertise in identifying, stocking and selling a broad assortment of sporting goods at competitive prices. Our buyers average 17 years of experience with us and work closely with senior management to determine product selection, promotion and pricing.

Extensive Advertising Programs and Expertise. We have advertised almost exclusively through weekly print advertisements since our founding in 1955. 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, create high customer awareness of the name Big 5 Sporting Goods and reinforce our reputation for offering quality products at attractive prices.

Significant Management Experience. We believe the experience, commitment and tenure of our professional staff provide a substantial competitive advantage. Steven G. Miller, our President and Chief

Executive Officer and son of one of our co-founders, has worked at our company for 33 years and our senior-level managers have worked at our company for an average of 28 years.

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 32.6% in fiscal 1997 to 34.9% for the twelve months ended March 31, 2002 and our adjusted EBITDA margin from 7.8% in fiscal 1997 to 9.1% for the twelve months ended March 31, 2002.

Strong Returns on New Store Openings. We seek to expand our business with the addition of new stores through a disciplined strategy of controlled growth. 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, new stores in established markets typically achieve store-level cash-on-cash returns of approximately 35% in their first full 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.

Big 5 is our registered servicemark and Court Casuals, Golden Bear, Pacifica and Rugged Exposure are our registered trademarks. All other registered trademarks and trade names referred to in this prospectus are the property of their respective owners.

The Offering

Common stock offered by us	6,113,343 shares
Common stock offered by the selling stockholders	1,586,657 shares
Common stock to be outstanding after this offering	21,299,790 shares
Use of proceeds	We intend to use the net proceeds we receive to redeem all of our senior discount notes, redeem all of our outstanding shares of Series A preferred stock and repurchase up to 413,343 shares of our common stock from our non-executive employees at their option. We will borrow under our revolving credit facility the additional amounts necessary to fully fund these uses. We will not receive any of the proceeds from the sale of shares by the selling stockholders.
Listing	We have filed an application to have our common stock approved for quotation on The Nasdaq Stock Market's National Market under the symbol "BGFV."

Unless otherwise indicated, all share information in this prospectus is based on the number of shares outstanding as of March 31, 2002 after giving effect to a contemplated 8.1-for-1 stock split and the repurchase of 413,343 shares of our common stock from our non-executive employees (the repurchase of these shares is at the option of the non-executive employee-stockholders) and excludes:

- 486,000 shares of our common stock issuable upon exercise of an outstanding warrant, at a price of $0.00123 per share;
- 3,645,000 shares of our common stock available for future issuance under our 2002 stock incentive plan;
- the possible issuance of up to 649,078 additional shares of our common stock that the underwriters have the option to purchase from us to cover over-allotments; and
- the repurchase of up to an additional 160,744 shares of our common stock from our non-executive employees at their option if the underwriters exercise their over-allotment option in full.

Summary Consolidated Financial and Other Data

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 December 28, 1997, January 3, 1999, January 2, 2000, December 31, 2000 and December 30, 2001 are derived from our audited consolidated financial statements, which financial statements have been audited by KPMG LLP, independent auditors. The consolidated financial statements as of December 31, 2000 and December 30, 2001 and for each of the fiscal years ended January 2, 2000, December 31, 2000 and December 30, 2001 and the report thereon are included elsewhere in the prospectus. The summary data presented below for the 13 weeks ended April 1, 2001 and March 31, 2002 and as of March 31, 2002 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 indicative of our results for a full year's operations. The information presented below under the captions "Store Data" and "Other Financial Data" is unaudited. 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)					13 Weeks Ended	
	1997	1998	1999	2000	2001	April 1, 2001	March 31, 2002
	(dollars and shares in thousands, except per share and store data)					(unaudited)	
Statements of Operations Data:							
Net sales	$443,541	$491,430	$514,324	$571,476	$622,481	$143,179	$157,133
Gross profit	144,648	161,187	172,472	194,436	214,802	47,837	55,007
Operating income	23,039	30,240	31,771	40,393	42,212	7,011	10,531
Net income	8,737	4,506	5,825	11,148	14,965	2,643	3,530
Pro forma net income(2)					15,436		4,152
Pro forma earnings per share(2):							
Basic					$ 0.72		$ 0.19
Diluted					$ 0.71		$ 0.19
Shares used to calculate pro forma earnings per share(2):							
Basic					21,304		21,300
Diluted					21,790		21,786
Store Data:							
Same store sales increase(3)	6.6%	5.2%	2.0%	6.6%	4.9%	6.1%	6.6%
Net sales per gross square foot(4)	$ 196	$ 206	$ 203	$ 217	$ 224	53	55
End of period stores	210	221	234	249	260	249	261
Average net sales per store(5)	$ 2,218	$ 2,324	$ 2,285	$ 2,405	$ 2,448	$ 570	$ 603
Other Financial Data:							
Gross margin	32.6%	32.8%	33.5%	34.0%	34.5%	33.4%	35.0%
Adjusted EBITDA(6)	$ 34,517	$ 39,130	$ 41,250	$ 49,733	$ 54,758	$ 9,585	$ 12,892
Adjusted EBITDA margin(7)	7.8%	8.0%	8.0%	8.7%	8.8%	6.7%	8.2%
Cash flow provided by (used in) operating activities	$ (408)	$ 30,561	$ 15,599	$ 19,857	$ 31,521	$ (9,985)	$ 3,536
Cash flow used in investing activities	(5,151)	(8,500)	(13,075)	(11,602)	(10,510)	(1,483)	(1,151)
Cash flow provided by (used in) financing activities	10,554	(25,398)	(3,888)	(9,593)	(16,899)	11,067	(3,577)

	As of March 31, 2002	
	Actual	As Adjusted(2)
	(unaudited)	
Balance Sheet Data:		
Cash	$ 6,673	6,673
Net working capital(8)	67,419	69,439
Total assets	252,791	252,192
Total debt	151,193	148,026
Redeemable preferred stock	59,550	—
Stockholders' deficit	(80,911)	(16,773)

(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 1997, 1999, 2000 and 2001.

(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 March 31, 2002 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 net income before extraordinary items, interest, taxes, depreciation and amortization. In fiscal 1997, adjusted EBITDA is EBITDA adjusted to exclude non-recurring transaction-related expenses of approximately $3.3 million, and in fiscal 2001, adjusted EBITDA is EBITDA adjusted to exclude accrued expenses of approximately $2.5 million relating to litigation regarding the exempt status of certain of our store managers. EBITDA and adjusted EBITDA are not measures of financial performance under generally accepted accounting principles, or GAAP. Although EBITDA and adjusted 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 and adjusted EBITDA are widely used by financial analysts as a measure of financial performance. Our calculation of EBITDA and adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

The calculation of EBITDA and Adjusted EBITDA are shown below (dollars in thousands):

	Fiscal Years					13 Weeks Ended	
	1997	1998	1999	2000	2001	April 1, 2001	March 31, 2002
						(unaudited)	
Operating income*	$23,039	$30,240	$31,771	$40,393	$42,212	$7,011	$10,531
Depreciation and amortization	8,176	8,890	9,479	9,340	10,031	2,574	2,361
EBITDA	31,215	39,130	41,250	49,733	52,243	9,585	12,892
Transaction costs	3,302	—	—	—	—	—	—
Litigation settlement	—	—	—	—	2,515	—	—
Adjusted EBITDA	$34,517	$39,130	$41,250	$49,733	$54,758	$9,585	$12,892

* Operating income is net income before extraordinary items, interest and taxes.

(7) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by net sales.

(8) 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 harmed substantially. 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 after this offering, a substantial amount of debt. As of March 31, 2002, as adjusted to give effect to the application of our net proceeds from this offering, the aggregate principal amount of our outstanding indebtedness would be approximately $148.0 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.

If our business declines, 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 facility or indenture, our debt may be accelerated under these instruments. In addition, in the event of bankruptcy or insolvency or a material breach of any covenant contained in one of our debt instruments, our debt may be accelerated. 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 specified capital expenditures. For example, our ability to engage in the foregoing transactions will depend upon, among other things, our level of indebtedness at the time of the proposed transaction and whether we are in default under our financing agreements. 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, service marks and trademarks and other general intangible assets, including trade names. 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 and earthquakes and other natural disasters specific to the states in which we operate. 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 harm our operations. If the region were to suffer an economic downturn or other adverse regional event, our net sales and profitability and our ability to implement our planned expansion program could suffer. 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 780 vendors. Although we did not rely on any single vendor for more than 5.9% of our total purchases during the twelve months ended March 31, 2002, our dependence on principal suppliers involves risk. Our 20 largest vendors collectively accounted for 36.2% of our total purchases during the twelve months ended March 31, 2002. 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 products to us 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 reduce 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 18 to 36 months. Any disruption to, or delay in, this process could harm our future operations.

Some of our compensation practices have been challenged in a complaint that, if successful, could harm 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. On February 8, 2002, we filed a joint settlement with the court. On March 27, 2002, the court entered an order preliminarily approving our proposed settlement of the class action and setting a hearing for July 15, 2002 for the purpose of granting final approval. Under the terms of the settlement, we agreed to pay $32.46 per week of active employment as store manager during August 8, 1997 through December 31, 2001, the covered period, and $25.50 per week of active employment as first assistant store manager during the covered period to each class member who submits

a valid and timely claim form. We also agreed to pay attorneys' fees, plus costs and expenses, in the amount of $690,000, as well as up to $40,000 for the cost of the settlement administrator. In addition, we agreed to pay the class representatives an additional aggregate amount of $32,500 for their service as named plaintiffs. We admit no liability or other wrongdoing with respect to the claims set forth in the lawsuit. We recorded a charge of approximately $2.5 million in the fourth quarter of fiscal 2001 to provide for expected payments to the class members as well as legal and other fees associated with the settlement. Once final approval is granted, the settlement will constitute a full and complete settlement and release of all claims related to the lawsuit. We intend to defend the case vigorously if the court does not grant final approval of the settlement agreement. If the settlement is not finally approved by the court, an adverse result in this litigation could harm our financial condition. In addition, required changes in our labor practices, as well as the costs of defending this litigation, could have a negative impact on our results of operations.

Because two equity owners of a substantial stockholder are members of the board of directors of one of our competitors, there may be conflicts of interest.

Green Equity Investors, L.P., an affiliate of Leonard Green & Partners, L.P., holds a significant 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. Jonathan Sokoloff and Jonathan Seiffer, equity owners of Leonard Green & Partners, L.P. and former members of our board of directors, currently serve on Gart Sports Company's board of directors. Mr. Danhakl may have conflicts of interest with respect to certain matters affecting us, including the pursuit of certain business opportunities presented to Leonard Green & Partners, L.P. All 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.

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 2001, we generated 27.3% of our net sales and 35.5% 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, our products are subject to the Federal Consumer Product Safety Act, which empowers the Consumer Product Safety Commission to protect consumers from hazardous sporting goods and other articles. The Consumer Product Safety Commission has the authority to exclude from the market certain consumer products that are found to be hazardous. Similar laws exist in some states and cities in the United States. If we fail to comply with government and industry safety standards, we may be subject to claims, lawsuits, fines and negative publicity that could harm our operating results.

In addition, we sell firearms and ammunition, products associated with an increased risk of injury and related lawsuits. Sales of firearms and ammunition represented approximately 3.1% of our net sales during the twelve months ended March 31, 2002. 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.

Terrorism and the uncertainty of war may harm our operating results.

The terrorist attacks of September 11, 2001 have had a negative impact on various regions of the United States and on a wide range of industries. The terrorist attacks, as well as the United States' war on terrorism, may have an unpredictable effect on general economic conditions and may harm our future results of operations. In the future, fears of recession, war and additional acts of terrorism may continue to impact the U.S. economy and could negatively impact our business.

Risks Related to This Offering

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 Green Equity Investors, L.P., an affiliate of Leonard Green & Partners, L.P., will together control approximately 47.3% 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. In addition, we are a party to a stockholders agreement with Green Equity Investors, L.P. and Mr. Steven G. Miller and Mr. Robert W. Miller that will be amended effective upon the consummation of this offering. The amended agreement will entitle Green Equity Investors, L.P. to nominate one director to our board of directors for as long as it holds at least 5% of our outstanding shares. The amended agreement also provides that Mr. Steven G. Miller and Mr. Robert W. Miller will vote their shares in favor of Green Equity Investors, L.P.'s nominee and that Green Equity Investors, L.P. will vote its shares to elect Mr. Steven G. Miller and Mr. Robert W. Miller to our board of directors. We are also a party to employment agreements with Mr. Steven G. Miller and Mr. Robert W. Miller which will be amended effective upon the consummation of this offering that will require us to use our best efforts to ensure that each of them continues to be a member of our board of directors. As a result, this concentration of ownership and representation on our board of directors 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 reduce 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. In addition, we will repurchase up to 413,343 shares of common stock from non-executive employees, at their option, with a portion of the proceeds from this offering. Up to 13,599,790 of 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 reduce the market price of the common stock.

Green Equity Investors, L.P. owns 5,860,973 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 up to 11,435,925 shares of our common stock, which includes the shares held by Green Equity Investors, L.P., and the holder of a warrant to acquire 486,000 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 $(16.33) per share, based on an assumed initial public offering price of $15.00 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. Our forward-looking statements in this prospectus include, but are not limited to, statements relating to:

- our business strategy;
- our plans and ability to open new stores that are profitable;
- our plans and ability to meet the requirements of our debt instruments and other financial commitments;
- our estimates regarding capital requirements; and
- any of our other plans, objectives, expectations and intentions contained in this prospectus that are not historical facts.

Factors that may cause our actual results to differ materially from our forward-looking statements include, among others, changes in general economic and business conditions and the risks and other factors set forth in “Risk Factors” beginning on page 6.

USE OF PROCEEDS

We expect to receive approximately $83.7 million in net proceeds from the sale of shares of our common stock in this offering based on the sale of 6.1 million shares at an assumed initial public offering price of $15.00 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 $92.8 million.

We intend to use the net proceeds from this offering, in addition to drawing upon our credit facility in the approximate amount of $19.7 million, to:

- redeem in full all of our 13.45% senior discount notes due 2008 for an aggregate redemption price of approximately $27.3 million;
- redeem in full all outstanding shares of our redeemable Series A 13.45% senior exchangeable preferred stock for an aggregate redemption price of approximately $68.2 million, net of an agreed upon reduction described in the following paragraph; and
- repurchase up to 413,343 shares of our common stock from our non-executive employees, at their option, at the public offering price as shown on the cover page of the final prospectus before deducting underwriting discounts and commissions, for an aggregate price of up to approximately $6.2 million.

Green Equity Investors, L.P., as the holder of 78% of our Series A Preferred Stock, agreed to reduce the redemption price that would otherwise have been applicable to the redemption of our Series A preferred stock following the consummation of this offering by an amount sufficient to permit us to pay bonuses to our directors and executive officers in an amount equal to the discounts and commissions on the shares they sell directly or through family trusts or partnerships in this offering (approximately $1.7 million if the underwriters do not exercise their over-allotment option), as well as to repurchase shares from our other non-executive employees as described above at the offering price to the public, rather than the net price to us after deducting underwriting commissions and discounts. Pending application of the net proceeds as described above, we intend to invest the net proceeds in short-term investment grade or money market 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 shares of our common stock in the foreseeable future. Any payment of cash dividends on our common stock will be dependent upon the ability of Big 5 Corp., our wholly owned subsidiary, to pay dividends or make cash payments or advances to us. The agreement governing our credit facility and the indenture governing our senior notes impose restrictions on Big 5 Corp.'s ability to make these payments. For example, Big 5 Corp.'s ability to pay dividends or make other distributions to us, and thus our ability to pay cash dividends on our common stock, will depend upon, among other things, its level of indebtedness at the time of the proposed dividend or distribution, whether it is in default under its financing agreements and the amount of dividends or distributions made in the past. 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 March 31, 2002:

- on an actual basis; and
- on an as adjusted basis to give effect to (1) the sale of 6,113,343 shares of our common stock in this offering at an assumed initial public offering price of $15.00 per share, which is the mid-point of the initial public offering price range set forth on the cover of this prospectus, (2) the repurchase of all 413,343 shares of our common stock that we may purchase from our non-executive employees at their option, (3) the other intended applications of the net proceeds and (4) borrowings of $19.7 million under our credit facility to fund in part the intended uses of proceeds described under “Use of Proceeds.”

	As of March 31, 2002	
	Actual	As Adjusted
	(unaudited) (dollars in millions)	
Total debt:		
Revolving credit facility(1)	$ 25.0	$ 44.7
10.875% senior notes due 2007	103.3	103.3
13.45% senior discount notes due 2008	22.9	—
Total debt	151.2	148.0
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	59.6	—
Stockholders’ deficit:		
Preferred stock, $0.01 par value, authorized 2,650,000 shares; no shares issued and outstanding actual; no shares issued and outstanding as adjusted	—	—
Common stock, $0.01 par value per share, 50,000,000 shares authorized, 15,599,790 shares issued and outstanding, actual; 21,299,790 shares issued and outstanding, as adjusted	0.2	0.2
Additional paid-in capital	7.0	84.5
Accumulated deficit	(88.1)	(101.5)
Stockholders’ deficit	(80.9)	(16.8)
Total capitalization	$129.9	$ 131.2

(1) As of March 31, 2002, on an actual basis, there was $80.8 million available for additional borrowings under our revolving credit facility.

DILUTION

The net tangible book value of our common stock on March 31, 2002 was $(92.5) million, or approximately $(5.93) per share. Net tangible book value per share represents the amount of our total tangible assets less total liabilities and redeemable preferred stock, 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 $15.00 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 March 31, 2002 would have been approximately $(28.4) million, or $(1.33) per share. This represents an immediate increase in net tangible book value of $4.60 per share to existing stockholders and an immediate dilution in net tangible book value of $(16.33) 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		$ 15.00
Net tangible book value per share at March 31, 2002	$(5.93)	
Increase per share attributable to this offering	$ 4.60	
As adjusted net tangible book value per share after this offering		$ (1.33)
Dilution per share to new investors		$(16.33)

The following table summarizes, on an as adjusted basis, as of March 31, 2002, 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		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	15,599,790	73.2%	7,214,000	7.0%	0.46
New investors, net of repurchases	5,700,000	26.8%	85,500,000	92.2%	15.00
Total	21,299,700	100%	92,714,000	100%	4.35

The foregoing discussion and tables assume (1) no exercise by the underwriters of their over-allotment option, (2) no exercise of the outstanding warrant for 486,000 shares of our common stock that is exercisable at $0.00123 per share and (3) the repurchase of 413,343 shares of our common stock from our non-executive employees. In addition, there are 3,645,000 shares reserved for issuance under our 2002 stock incentive plan. To the extent the over-allotment option or the outstanding warrant is exercised, or any shares under the 2002 stock incentive plan are issued, there may be further dilution to new investors.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

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 December 28, 1997, January 3, 1999, January 2, 2000, December 31, 2000 and December 30, 2001 are derived from our audited consolidated financial statements, which financial statements have been audited by KPMG LLP, independent auditors. The consolidated financial statements as of December 31, 2000 and December 30, 2001 and for each of the years ended January 2, 2000, December 31, 2000 and December 30, 2001 and the report thereon are included elsewhere in this prospectus. The selected data presented below for the 13 weeks ended April 1, 2001 and March 31, 2002 and as of March 31, 2002 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 indicative of our results for a full year's operations. The information presented below under the captions "Store Data" and "Other Financial Data" is unaudited. 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)					13 Weeks Ended	
	1997	1998	1999	2000	2001	April 1, 2001	March 31, 2002
			(dollars and shares in thousands, except per share and store data)			(unaudited)	
Statements of Operations Data:							
Net sales	$443,541	$491,430	$514,324	$571,476	$622,481	$143,179	$157,133
Cost of goods sold, buying and occupancy	298,893	330,243	341,852	377,040	407,679	95,342	102,126
Gross profit	144,648	161,187	172,472	194,436	214,802	47,837	55,007
Selling and administrative	113,433	122,057	131,222	144,703	160,044	38,252	42,115
Litigation settlement	—	—	—	—	2,515	—	—
Depreciation and amortization	8,176	8,890	9,479	9,340	10,031	2,574	2,361
Operating income	23,039	30,240	31,771	40,393	42,212	7,011	10,531
Interest expense, net	12,879	22,975	21,574	22,008	19,629	5,225	4,483
Income before income taxes and extraordinary gain	10,160	7,265	10,197	18,385	22,583	1,786	6,048
Income taxes	(174)	2,838	4,000	7,324	9,218	743	2,479
Income before extraordinary gain	10,334	4,427	6,197	11,061	13,365	1,043	3,569
Extraordinary gain (loss) from early extinguishment of debt, net of income taxes(2)	(1,597)	79	(372)	87	1,600	1,600	(39)
Net income	8,737	4,506	5,825	11,148	14,965	2,643	3,530
Redeemable preferred stock dividends	1,763	5,036	5,621	6,400	7,284	1,750	1,964
Net income (loss) available to common stockholders	$ 6,974	$ (530)	$ 204	$ 4,748	$ 7,681	$ 893	$ 1,566
Earnings (loss) per share:							
Basic	$ 0.23	$ (0.03)	$ 0.01	$ 0.30	$ 0.49	$ 0.06	$ 0.10
Diluted	$ 0.21	$ (0.03)	$ 0.01	$ 0.30	$ 0.48	$ 0.06	$ 0.10
Shares used to calculate earnings per share:							
Basic	30,143	15,667	15,612	15,608	15,604	15,605	15,601
Diluted	33,837	15,667	16,098	16,094	16,090	16,091	16,087
Store Data:							
Same store sales increase(3)	6.6%	5.2%	2.0%	6.6%	4.9%	6.1%	6.6%
Net sales per gross square foot(4)	$ 196	$ 206	$ 203	$ 217	$ 224	$ 53	$ 55
End of period stores	210	221	234	249	260	249	261
Average net sales per store(5)	$ 2,218	$ 2,324	$ 2,285	$ 2,405	$ 2,448	$ 570	$ 603
Other Financial Data:							
Gross margin	32.6%	32.8%	33.5%	34.0%	34.5%	33.4%	35.0%
Adjusted EBITDA(6)	$ 34,517	$ 39,130	$ 41,250	$ 49,733	$ 54,758	$ 9,585	$ 12,892
Adjusted EBITDA margin(7)	7.8%	8.0%	8.0%	8.7%	8.8%	6.7%	8.2%
Cash flow provided by (used in) operating activities	$ (408)	$ 30,561	$ 15,599	$ 19,857	$ 31,521	$ (9,985)	$ 3,536
Cash flow used in investing activities	(5,151)	(8,500)	(13,075)	(11,602)	(10,510)	(1,483)	(1,151)
Cash flow provided by (used in) financing activities	10,554	(25,398)	(3,888)	(9,593)	(16,899)	11,067	(3,577)
Balance Sheet Data:							
Cash and cash equivalents	$ 9,792	$ 6,455	$ 5,091	$ 3,753	$ 7,865	$ 3,352	$ 6,673
Net working capital(8)	83,087	66,873	71,289	69,427	66,292	80,463	67,419
Total assets	229,414	222,502	233,562	253,078	252,528	255,511	252,791
Total debt	198,286	176,591	178,446	172,098	153,351	180,684	151,193
Redeemable preferred stock	35,000	39,866	45,408	51,721	58,911	54,387	59,550
Stockholders' deficit	(94,510)	(95,102)	(94,902)	(90,156)	(82,476)	(91,929)	(80,911)

(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 1997, 1999, 2000 and 2001.

(2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of New Accounting Pronouncements — *SFAS No. 145*."

(3) Same store sales data for a period presented reflect 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 net income before extraordinary items, interest, taxes, depreciation and amortization. In fiscal 1997, adjusted EBITDA is EBITDA adjusted to exclude non-recurring transaction-related expenses of approximately $3.3 million and in fiscal 2001, adjusted EBITDA is EBITDA adjusted to exclude accrued litigation expenses of approximately $2.5 million relating to the exempt status of certain of our store managers. EBITDA and adjusted EBITDA are not measures of financial performance under generally accepted accounting principles, or GAAP. Although EBITDA and adjusted 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 and adjusted EBITDA are widely used by financial analysts as a measure of financial performance. Our calculation of EBITDA and adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

The calculation of EBITDA and Adjusted EBITDA are shown below (dollars in thousands):

	Fiscal Years					13 Weeks Ended	
	1997	1998	1999	2000	2001	April 1, 2001	March 31, 2002
						(unaudited)	
Operating income*	$23,039	$30,240	$31,771	$40,393	$42,212	$7,011	$10,531
Depreciation and amortization	8,176	8,890	9,479	9,340	10,031	2,574	2,361
EBITDA	31,215	39,130	41,250	49,733	52,243	9,585	12,892
Transaction costs	3,302	—	—	—	—	—	—
Litigation settlement	—	—	—	—	2,515	—	—
Adjusted EBITDA	$34,517	$39,130	$41,250	$49,733	$54,758	$9,585	$12,892

* Operating income is net income before extraordinary items, interest and taxes.

(7) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by net sales.

(8) 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 2, 2000, December 31, 2000 and December 30, 2001 are referred to as 1999, 2000 and 2001, respectively. The following discussion and analysis of our financial condition and results of operations for 1999, 2000 and 2001 and the 13 weeks ended April 1, 2001 and March 31, 2002 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 261 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 47 years we have developed a reputation with the competitive and recreational sporting goods customer as a convenient neighborhood sporting goods retailer that consistently delivers value on quality merchandise.

Throughout our 47 year history, we have emphasized controlled growth. The following table summarizes our store count for the periods presented:

	Fiscal Year			13 Weeks Ended	
	1999	2000	2001	April 1, 2001	March 31, 2002
				(unaudited)	
Big 5 Sporting Goods stores					
Beginning of period	221	234	249	249	260
New stores(1)	15	15	15	2	1
Stores relocated	(1)	—	(4)	(2)	—
Stores closed	(1)	—	—	—	—
End of period	234	249	260	249	261

(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 and corporate office occupancy costs. Store and corporate office occupancy

costs include rent, contingent rents, common area maintenance, real estate property taxes and property insurance.

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 other than property 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.

Discussion of Critical Accounting Policies

In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe that the following discussion addresses our critical accounting policies, which are those that are most important to the portrayal of our financial condition.

Valuation of Inventory

We value our inventories at the lower of cost or market using the weighted average cost method that approximates the first-in, first-out (FIFO) method. Management has evaluated the current level of inventories in comparison to planned sales volume and other factors and, based on this evaluation, has recorded adjustments to cost of goods sold for estimated decreases in inventory value. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from actual results if future economic conditions, consumer demand and competitive environments differ from our expectations. We are not aware of any events or changes in demand or price that would indicate to us that our inventory valuation may be too high at this time.

Valuation of Long-Lived Assets

Long-lived assets and certain identifiable intangibles are reviewed 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 the assets to future net cash flows estimated by us to be generated by these assets. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. We are not aware of any events or changes in circumstances that would indicate to us that our long-lived assets are over-valued or that would require an impairment consideration at this time.

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:

	Fiscal Year			13 Weeks Ended	
	1999	2000	2001	April 1, 2001	March 31, 2002
				(unaudited)	
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Costs of sales	66.5	66.0	65.5	66.6	65.0
Gross profit	33.5	34.0	34.5	33.4	35.0
Selling and administrative	25.5	25.3	25.7	26.7	26.8
Litigation settlement	—	—	0.4	—	—
Depreciation and amortization	1.8	1.6	1.6	1.8	1.5
Operating income	6.2	7.1	6.8	4.9	6.7
Interest expense, net	4.2	3.9	3.2	3.7	2.9
Income before income tax expense	2.0	3.2	3.6	1.2	3.8
Income tax expense	0.8	1.3	1.5	0.5	1.5
Extraordinary gain/(loss)	(0.1)	0.0	0.3	1.1	0.0
Net income	1.1%	1.9%	2.4%	1.8%	2.3%

13 Weeks Ended March 31, 2002 Compared to 13 Weeks Ended April 1, 2001

Net Sales. Net sales increased by $13.9 million, or 9.7%, to $157.1 million in the first 13 weeks of 2002 from $143.2 million in the first 13 weeks of 2001. This growth reflected an increase of $9.3 million in same store sales and an increase of $6.7 million in new store sales, which reflected the opening of one new store during the first 13 weeks of 2002 and 15 new stores in fiscal 2001. The remaining variance was attributable to net sales from closed stores. Same store sales increased 6.6% in the first 13 weeks of 2002 versus the first 13 weeks of 2001, representing the twenty-fifth consecutive quarterly increase in same store sales over comparable prior periods. The increase in same store sales was primarily attributable to higher sales in the majority of our merchandise categories. Store count at the end of the first 13 weeks of 2002 was 261 versus 249 at the end of the first 13 weeks of 2001. We opened one new store in the first 13 weeks of 2002 and two new stores, both of which were replacement stores, in the first 13 weeks of 2001.

Gross Profit. Gross profit increased by $7.2 million, or 15.0%, to $55.0 million in the first 13 weeks of 2002 from $47.8 million in the first 13 weeks of 2001. Gross profit margin was 35.0% in the first 13 weeks of 2002 compared to 33.4% in the first 13 weeks of 2001. We were able to achieve higher gross profit margins primarily due to improved selling margins in the majority of our product categories as well as increased same store sales, which caused store occupancy costs as a percentage of sales to decrease.

Selling and Administrative. Selling and administrative expenses increased by $3.8 million, or 10.1%, to $42.1 million in the first 13 weeks of 2002 from $38.3 million in the first 13 weeks of 2001. The increase was primarily due to a $1.9 million increase in store personnel expenses associated with supporting increased sales, new store openings and increased employee health benefit costs. Other factors impacting the increase included higher other store related costs of $0.4 million primarily related to increased expenses due to electric utility rate increases in our California markets, and an increase of $1.2 million in advertising costs that resulted primarily from increased advertising during parts of the first 13 weeks of 2002 and new store openings. When measured as a percentage of net sales, selling and administrative expenses were 26.8% in the first 13 weeks of 2002 compared to 26.7% in the first 13 weeks of 2001.

Depreciation and Amortization. Depreciation and amortization expense decreased by $0.2 million, or 8.3%, to $2.4 million in the first 13 weeks of 2002 from $2.6 million in the first 13 weeks of 2001 as a result of certain assets having been fully depreciated and the implementation of SFAS No. 142, *Goodwill*

and Other Intangible Assets, effective December 31, 2001, which reduced amortization expense by $0.1 million in 2002.

Interest Expense, net. Interest expense, net decreased by $0.7 million, or 14.2%, to $4.5 million in the first 13 weeks of 2002 from $5.2 million in the first 13 weeks of 2001. This decrease reflected lower average daily debt balances and lower average interest rates related to our credit facility in the first 13 weeks of 2002 versus the first 13 weeks of 2001.

Income Taxes. Provision for income taxes was $2.5 million for the first 13 weeks of 2002 and $0.7 million for the first 13 weeks of 2001. Our effective income tax rate for the first 13 weeks of 2002 was 41.0% compared to 41.6% for the first 13 weeks of 2001. Income taxes are based upon the estimated effective tax rate for the entire fiscal year applied to pre-tax income for the year. The effective rate is subject to ongoing evaluation by management.

Extraordinary Gain/(Loss) From Early Extinguishment of Debt. We incurred an extraordinary loss of less than $0.1 million, net of taxes for the first 13 weeks of 2002, in connection with the repurchase of $2.8 million face value of our senior discount notes and $0.5 million face value of our senior notes. We incurred an extraordinary gain of $1.6 million, net of taxes, for the first 13 weeks of 2001, in connection with the repurchase of $12.5 million face value of our senior discount notes.

Fiscal 2001 Compared to Fiscal 2000

Net sales. Net sales increased by $51.0 million, or 8.9%, to $622.5 million in 2001 from $571.5 million in 2000. This growth reflected an increase of $27.1 million in same store sales and an increase of $29.0 million in new store sales, which reflected the opening of 15 new stores during each of 2001 and 2000. The remaining variance was attributable to net sales from closed stores. Same store sales increased 4.9% for 2001 versus 2000. The increase in same store sales was primarily attributable to higher sales in the majority of our merchandise categories other than the skate category, which includes scooters. Sales during the last half of 2000 benefited significantly from the sale of scooters. We did not realize comparable scooter sales in 2001 and do not expect to do so in the future. Excluding scooter sales, net sales increased 10.2% and same store sales increased 6.2% for 2001. Store count at the end of 2001 was 260 versus 249 at the end of 2000 as we opened 15 new stores, of which four were replacement stores. We achieved positive same store sales of 3.9% during the fourth quarter of 2001. Excluding scooter sales, same store sales increased 7.3% for the fourth quarter in 2001.

Gross Profit. Gross profit increased by $20.4 million, or 10.5%, to $214.8 million in 2001 from $194.4 million in 2000. Gross profit margin was 34.5% in 2001 compared to 34.0% in 2000. We were able to achieve higher gross profit margins primarily due to improved selling margins in the majority of our product categories as well as increased same store sales, which caused store occupancy costs as a percentage of sales to decrease.

Selling and Administrative. Selling and administrative expenses increased by $15.3 million, or 10.6%, to $160.0 million in 2001 from $144.7 million in 2000. The increase was primarily due to a $10.1 million increase in store personnel and other store related expenses associated with supporting increased sales, new store openings, an increase in the minimum wage, regional hiring pressures during much of the year and increased expenses related to electric utility rate increases primarily in our California markets. Other factors impacting the increase included an increase of $2.5 million in advertising costs that resulted primarily from increased advertising during parts of 2001 and new store openings, and a $0.9 million expense related to added store labor hours allocated to implement our new point-of-sale systems. When measured as a percentage of net sales, selling and administrative expenses were 25.7% in 2001 compared to 25.3% in 2000.

Litigation Settlement. On December 14, 2001, we reached a preliminary settlement of a class action lawsuit that alleged that we improperly classified our California store managers and first assistant store managers as exempt employees not entitled to overtime pay for work in excess of forty hours per week.

We accrued $2.5 million to cover estimated payments to class members as well as legal and other fees associated with the preliminary settlement of this complaint.

Depreciation and Amortization. Depreciation and amortization expense increased by $0.7 million, or 7.4%, to $10.0 million in 2001 from $9.3 million in 2000. The increase was primarily due to added depreciation and amortization related to expenditures for the growth in our store base in 2001, as well as depreciation and amortization related to expenditures for our new point-of-sale register systems.

Interest Expense, net. Interest expense, net decreased by $2.4 million, or 10.9%, to $19.6 million in 2001 from $22.0 million in 2000. This decrease reflected the January 2001 repurchase of $12.5 million face value of our senior discount notes using lower cost borrowings from our credit facility, lower average daily debt balances in 2001 and lower average interest rates related to our credit facility in 2001 versus 2000.

Income Taxes. Provision for income taxes was $9.2 million for 2001 and $7.3 million for 2000. Our effective income tax rate for 2001 was 40.8% as compared to 39.8% for 2000. Income taxes are based upon the estimated effective tax rate for the entire year applied to pre-tax income for the year. The effective rate is subject to ongoing evaluation by management.

Extraordinary Gain from Early Extinguishment of Debt. We incurred an extraordinary gain of $1.6 million, net of taxes, for 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 2000, in connection with the repurchase of $7.8 million face value 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 $26.0 million in new store sales, which reflected the opening of 15 stores during each of 2000 and 1999. The remaining variance was 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. Excluding scooter sales, net sales increased 9.3% and same store sales increased 4.9% for 2000.

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 a $6.2 million increase in store personnel expenses and a $2.1 million increase in other store related costs associated with supporting increased sales and new store openings, as well as a $2.9 million increase in advertising expenses that resulted primarily from increased advertising during parts of 2000 and new store openings. 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/(Loss) 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 face value 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.

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 2000				Fiscal 2001				Fiscal 2002
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	(dollars in thousands)								
Results of operations:									
Net sales	$129,712	$137,271	$146,169	$158,324	$143,179	$151,456	$158,085	$169,761	$157,133
Gross profit	42,888	48,394	48,913	54,241	47,837	53,609	52,956	60,400	55,007
Selling and administrative	34,941	36,167	37,060	36,535	38,252	40,537	40,888	40,367	42,115
Litigation settlement	—	—	—	—	—	—	—	2,515	—
Depreciation and amortization	2,329	2,317	2,325	2,369	2,574	2,570	2,364	2,523	2,361
Operating income	5,618	9,910	9,528	15,337	7,011	10,502	9,704	14,995	10,531
Net income	134	2,598	2,422	5,994	2,643	3,257	2,945	6,120	3,530
Same store sales increase	6.2%	5.0%	7.2%	8.1%	6.1%	5.8%	3.8%	3.9%	6.6%
Percentage of total year:(1)									
Net sales	22.7%	24.0%	25.6%	27.7%	23.0%	24.3%	25.4%	27.3%	NA
Operating income	13.9%	24.5%	23.6%	38.0%	16.6%	24.9%	23.0%	35.5%	NA
Percentage of net sales:									
Gross profit	33.1%	35.3%	33.5%	34.3%	33.4%	35.4%	33.5%	35.6%	35.0%
Selling and administrative	26.9%	26.3%	25.4%	23.1%	26.7%	26.8%	25.9%	23.8%	26.8%
Litigation settlement	—	—	—	—	—	—	—	1.5%	—
Operating income	4.3%	7.2%	6.5%	9.7%	4.9%	6.9%	6.1%	8.8%	6.7%

(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 provided by operating activities was $3.5 million for the 13 weeks ended March 31, 2002 versus net cash used in operating activities of $10.0 million for the 13 weeks ended April 1, 2001. Net cash provided by operating activities for the years 2001, 2000 and 1999 was $31.5 million, $19.9 million and $15.6 million. The increases for the 13 weeks ended March 31, 2002 versus the 13 weeks ended

April 1, 2001, 2001 versus 2000 and 2000 versus 1999 primarily reflected higher net income and more efficient management of working capital.

Capital expenditures for the 13 weeks ended March 31, 2002 and April 1, 2001 were $1.2 million and $1.5 million. Capital expenditures for the years 2001, 2000 and 1999 were $10.5 million, $11.6 million and $13.1 million. The variances were primarily attributable to the opening of new stores as well as the 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 2001, $2.2 million in 2000 and $2.5 million in 1999. We expect capital expenditures for the remainder of 2002 will range from approximately $9 million to $11 million, primarily to fund the opening of approximately 13 to 15 new stores, store maintenance and remodels, warehouse and headquarters maintenance and systems related expenditures.

Net cash used in financing activities was $3.6 million for the 13 weeks ended March 31, 2002 versus net cash provided by financing activities of $11.1 million for the 13 weeks ended April 1, 2001. Net cash used in financing activities for the years 2001, 2000 and 1999 were $16.9 million, $9.6 million and $3.9 million. We repurchased $19.1 million face value of our senior notes and $2.5 million face value of our senior discount notes during 1999. We repurchased $7.8 million face value of our senior notes during 2000. We repurchased $12.5 million face value of our senior discount notes during 2001. We repurchased $0.5 million face value of our senior notes and $2.8 million face value of our senior discount notes in February 2002. We anticipate using a portion of our net proceeds from this offering to redeem all of the remaining senior discount notes. At March 31, 2002, we had $80.8 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.

Our principal future obligations and commitments as of March 31, 2002, excluding periodic interest payments, include the following:

	Payments Due by Period				
	Total	1 Year	1-3 Years	4-5 Years	After 5 Years
			(in thousands)		
Long-term debt	$103,645	$ —	$ —	$ —	$103,645
Operating leases commitments	266,824	33,350	65,135	54,814	113,525
Credit facility	25,022	—	25,022	—	—
Letters of credit	3,435	3,435	—	—	—
Total	$398,926	$36,785	$90,157	$54,814	$217,170

Long-term debt consists of our senior notes that mature on November 13, 2007. We expect to repay the senior notes by the maturity date using a combination of drawings under our existing or replacement credit facility, expansion of our credit facility or replacement credit facility and the issuance of debt or equity securities. Long-term debt excludes our senior discount notes and Series A preferred stock, both of which we intend to redeem with a portion of the proceeds from this offering.

Operating lease commitments consist principally of leases for our retail store facilities, distribution center and corporate offices. These leases frequently include options which permit us to extend the terms beyond the initial fixed lease term. We intend to renegotiate these leases as they expire. Payments for these lease commitments are provided for by cash flows generated from operations.

The credit facility provides for a maximum facility of $125.0 million, subject to certain borrowing base limitations. 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 March 2003. We may terminate the credit facility at any time upon 30 days prior written notice, provided that we are required to pay an early termination fee if we terminate prior to March 31, 2003. We plan to make additional borrowings or pay down the credit facility based on our cash flow requirements. We may re-negotiate our credit facility prior to the expiration date depending on our future capital needs and the availability of alternative sources of financing.

If we fail to make any required payment under our credit facility or the indenture governing our senior notes 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. We might not be able to effect these alternative strategies on satisfactory terms, if at all.

Impact of New Accounting Pronouncements

SFAS Nos. 141 and 142

In June 2001, the FASB issued SFAS No. 141, *Business Combinations,* and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations. SFAS No. 141 specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported separately from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* We adopted SFAS No. 141 effective July 1, 2001.

SFAS No. 142 required us to evaluate our existing intangible assets and goodwill that were acquired in purchase business combinations and to make any necessary reclassifications in order to conform with the new classification criteria in SFAS No. 141 for recognition separate from goodwill. We were required to reassess the useful lives and residual values of all intangible assets acquired and make any necessary amortization period adjustments by the end of the first interim period after adoption. If an intangible asset is identified as having an indefinite useful life, we were required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142 within the first interim period. Impairment is measured as the excess of carrying value over the fair value of an intangible asset with an indefinite life. We adopted SFAS No. 142 effective December 31, 2001 with no cumulative effect of a change in accounting principle and no material effect on our results of operations.

In connection with SFAS No. 142's transitional goodwill impairment evaluation, the statement required us to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this, we identified our reporting units and determined the carrying value of each reporting unit by assigning our assets and liabilities, including our existing goodwill and intangible assets, to those reporting units as of December 30, 2001. We then determined that the fair value of each reporting unit exceeded the carrying amount. We adopted SFAS No. 142 effective December 31, 2001 with no cumulative effect of a change in accounting principle and no material effect on our results of operations.

As of the date of adoption of SFAS No. 142, we had net unamortized goodwill in the amount of approximately $4.4 million and unamortized identifiable intangible assets in the amount of approximately $7.6 million. Amortization expense related to goodwill was approximately $0.25 million for each of 2001, 2000 and 1999. We adopted SFAS No. 142 effective December 31, 2001 with no cumulative effect of a change in accounting principle.

SFAS No. 144

On October 31, 2001, the FASB issued SFAS No. 144, *Accounting for the Disposal of Long-Lived Assets* (SFAS No. 144), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and is effective for fiscal years beginning after December 15, 2001. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. SFAS No. 144 requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment or in a distribution to owners) or is classified as held for sale. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. We adopted SFAS No. 144 effective December 31, 2001 with no material impact on our financial position or results of operation.

SFAS No. 145

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*, which requires that the extinguishment of debt not be considered an extraordinary item under APB Opinion No. 30, *Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, unless the debt extinguishment meets the unusual in nature and infrequency of occurrence criteria in APB 30. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002 and upon adoption, companies must reclassify prior period items which do not meet the extraordinary item classification criteria in APB 30. The adoption of SFAS No. 145 is not expected to have a material impact on the Company’s financial condition or results of operations, although it will result in a reclassification of the Company’s extraordinary items.

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 2002 as compared to the rate at March 31, 2002, our interest expense for 2002 would increase $0.25 million based on the outstanding balance of our credit facility at March 31, 2002. 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 261 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 47 years we have developed a reputation with the competitive and recreational sporting goods customer as a convenient neighborhood sporting goods retailer that consistently delivers 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 co-founded our business 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 what is now our wholly owned operating subsidiary 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 March 31, 2002, we have realized 25 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 March 31, 2002, we generated net sales of $636.4 million and adjusted EBITDA of $58.1 million. From 1997 through the twelve months ended March 31, 2002, our net sales and adjusted EBITDA increased at compounded annual growth rates of 8.9% and 13.0%. 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.

We are a holding company incorporated in Delaware on October 31, 1997. We conduct our business through Big 5 Corp., a wholly owned subsidiary incorporated in Delaware on October 27, 1997.

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, which was in 1999. 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 $226 for the twelve months ended March 31, 2002.

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 17 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 our founding in 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 and are managed today by his son, Steven G. Miller, our President and Chief Executive Officer who has worked at our company for 33 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 32.6% in fiscal 1997 to 34.9% for the twelve months ended March 31, 2002 and our adjusted EBITDA margin from 7.8% in fiscal 1997 to 9.1% for the twelve months ended March 31, 2002. Our adjusted 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, new stores in established markets typically achieve store-level cash-on-cash returns of approximately 35% in their first full 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 47 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 opened one new store in the first quarter of fiscal 2002 and we expect to open 12 to 14 net new stores during the remainder of fiscal 2002. Beginning in fiscal 2003, we expect to open 15 to 20 new stores per year for the foreseeable future.

Generating Net Sales Growth Through Our Distinctive Merchandise Mix and Advertising Programs. We have realized 25 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. Due to the fixed costs we incur in each market area, we are able to realize higher margins on revenues generated by additional stores in established markets by spreading these costs over more stores. For example, because distribution, advertising, purchasing and corporate expenses are relatively fixed costs, we are able to achieve higher margins on sales in stores opened in markets with other existing Big 5 Sporting Goods stores.

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 2001, we processed approximately 18 million sale transactions, and our average transaction size was approximately $34.

Our store format has 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 $226 for the twelve months ended March 31, 2002. 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 March 31, 2002:

Regions	Year Entered	# of Stores	% of Total Store Base
California:			
Southern California	1955	88	33.7%
Northern California	1971	71	27.2
Total California		159	60.9
Washington	1984	29	11.1
Arizona	1993	17	6.5
Oregon	1995	16	6.1
Texas	1995	10	3.8
New Mexico	1995	8	3.1
Nevada	1978	8	3.1
Utah	1998	6	2.3
Idaho	1993	6	2.3
Colorado	2001	2	0.8
Total		261	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 five fiscal years, we have opened 71 stores, an average of 14 new stores annually, of which 72% were outside of California. The following table illustrates the results of our expansion program during the periods indicated:

	New Stores					
Year	California	Other Markets	Total	Stores Relocated	Stores Closed	# of Stores at Period End
1997	6	8	14	—	—	210
1998	3	9	12	(1)	—	221
1999	3	12	15	(1)	(1)	234
2000	5	10	15	—	—	249
2001	3	12	15	(4)	—	260
Year to date 2002(1)	—	1	1	—	—	261

(1) As of March 31, 2002.

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 $400,000 in fixtures and equipment and approximately $400,000 in net working capital with limited pre-opening and real estate expenses due to leased locations built to our specifications. We seek to maximize new store performance by staffing new store management with experienced personnel from our existing stores. Based on our operating experience, new stores in established markets typically achieve store-level cash-on-cash returns of approximately 35% in their first full year of operation.

Our in-house store development personnel, who have opened an average of 13 stores during each of the past 10 fiscal 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 opened one store in the first quarter of fiscal 2002 and we expect to open 12 to 14 net new stores during the remaining three quarters of fiscal 2002. Beginning in fiscal 2003, we expect to open 15 to 20 new stores per year for the foreseeable future.

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 Employees	Average # of Years With Us	Average Age
Senior Management	7	28	56
Vice Presidents	10	24	52
Buyers	13	17	44
Store District/ Division Supervisors	28	21	45
Store Managers	261	9	36

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 goods, which are durable items such as fishing rods and golf clubs, and soft goods, which are non-durable items such as shirts and shoes, as a percent of net sales:

	Fiscal Year			
	1998	1999	2000	2001
Soft goods				
Athletic and sport apparel	16.6%	15.6%	16.2%	16.5%
Athletic and sport footwear	32.5	31.3	29.8	30.3
Total soft goods	49.1	46.9	46.0	46.8
Hard goods	50.9	53.1	54.0	53.2
Total	100.0%	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 47 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 17 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 our founding in 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 are able 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 47 years. During the twelve months ended March 31, 2002, no single vendor represented greater than 5.9% 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, individual sales transactions at each store, inventory receiving and distribution, merchandise movement and financial information. 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.

Our in-store point-of-sale system tracks all sales by stock keeping unit and allows management to compare the current performance of each stock keeping unit against historical performance on a daily basis. 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 point-of-sale 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 2 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 18 to 36 months.

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 25 district supervisors. The district supervisors are each responsible for an average of 10 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 March 31, 2002, we had approximately 5,800 full and part-time employees. The Steel, Paper House, Chemical Drivers & Helpers, Local Union 578, affiliated with the International Brotherhood of Teamsters, currently represents 437 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 261 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 260 store leases that we have, only 17 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. This service mark is due for renewal in 2005. We have also registered Court Casuals, Golden Bear, Pacifica and Rugged Exposure as federal trademarks under which we sell a variety of merchandise. The renewal dates for these trademarks range from 2002 to 2006. In fiscal 2001, 2.2% of our net sales resulted from sales of this private label merchandise.

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. On February 8, 2002, we filed a joint settlement with the court. On March 27, 2002, the court entered an order preliminarily approving our proposed settlement of the class action and setting a hearing for July 15, 2002 for the purpose of granting final approval. Under the terms of the settlement, we agreed to pay $32.46 per week of active employment as store manager during August 8, 1997 through December 31, 2001, the covered period, and $25.50 per week of active employment as first assistant store manager during the covered period to each class member who submits a valid and timely claim form. We also agreed to pay attorneys' fees, plus costs and expenses, in the amount of $690,000, as well as up to $40,000 for the cost of the settlement administrator. In addition, we agreed to pay the class representatives an additional aggregate amount of $32,500 for their service as named plaintiffs. We admit no liability or other wrongdoing with respect to the claims set forth in the lawsuit. We recorded a charge of approximately $2.5 million in the fourth quarter of fiscal 2001 to provide for expected payments to the class members as well as legal and other fees associated with the settlement. Once final approval is granted, the settlement will constitute a full and complete settlement and release of all claims related to the lawsuit. We intend to defend the case vigorously if the court does not grant final approval of the settlement agreement. If the settlement is not finally approved by the court, an adverse result in this litigation could harm our financial condition. In addition, required changes in our labor practices, as well as the 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 upon the consummation of this offering will be as follows:

Name	Age	Positions
Robert W. Miller	79	Chairman Emeritus of the Board
Steven G. Miller	50	Chairman of the Board, President & Chief Executive Officer
Charles P. Kirk	46	Senior Vice President, Chief Financial Officer and Assistant Secretary
Gary S. Meade	56	Senior Vice President, General Counsel & Secretary
Richard A. Johnson	56	Senior Vice President, Store Operations
Thomas J. Schlauch	57	Senior Vice President, Buying
Jeffrey L. Fraley	45	Senior Vice President, Human Resources
Dr. Michael D. Miller	52	Director
John G. Danhakl	46	Director
Sandra N. Bane	49	Director
G. Michael Brown	49	Director

Robert W. Miller will serve as Chairman Emeritus of our board of directors upon the consummation of this offering. Robert W. Miller has served as Chairman of our board of directors since 1992 and Chief Executive Officer from the inception of our holding company structure in 1992 to 2000. Robert W. Miller has also served as a senior executive officer of Big 5 Corp. for many years, including as President from 1973 to 1992, Chief Executive Officer from 1973 to 2000 and Chairman since 1992. Robert W. Miller co-founded our business in 1955.

Steven G. Miller will serve as Chairman of our board of directors upon the consummation of this offering and will continue to serve as Chief Executive Officer and President, positions he has held since 2000 and 1992, respectively. Steven G. Miller has also served as a director since the inception of our holding company structure in 1992. In addition, Steven G. Miller served as our Chief Operating Officer from 1992 to 2000. Steven G. Miller is also President and Chief Executive Officer of Big 5 Corp. 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 since 1993 and as our Chief Financial Officer since 1992. Mr. Kirk was appointed Assistant Secretary in 2002. Prior to joining us, Mr. Kirk served as Thrifty Corporation's Director of Planning and Vice President of Planning and Treasury from October 1990 to 1992.

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 from 1992 to 1997 and Thrifty Corporation's Vice President — Legal Affairs from 1979 to 1992.

Richard A. Johnson was appointed our Senior Vice President, Store Operations in 2002. Mr. Johnson has also served as Senior Vice President, Store Operations of Big 5 Corp. since 1992. Prior to that, Mr. Johnson was Vice President, Store Operations of Big 5 Corp. from 1986 to 1992.

Thomas J. Schlauch was appointed our Senior Vice President, Buying in 2002. Mr. Schlauch has also served as Senior Vice President, Buying of Big 5 Corp. since 1992. Prior to that, Mr. Schlauch served as Vice President, Buying of Big 5 Corp. from 1982 to 1992.

Jeffrey L. Fraley was appointed our Senior Vice President, Human Resources in 2002. Mr. Fraley has also served as Senior Vice President, Human Resources of Big 5 Corp. since July 2001. Prior to that, Mr. Fraley served as Vice President, Human Resources of Big 5 Corp. 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 a partner 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., VCA Antech, Inc., Petco Animal Supplies, Inc., MEMC Electronic Materials, Inc. and Diamond Triumph Auto Glass, Inc.

Sandra N. Bane will serve as a director upon the consummation of this offering. Mrs. Bane retired from KPMG LLP as an audit partner in 1998 after 23 years with the firm. While at KPMG LLP, Mrs. Bane headed the Western region's Merchandising practice for the firm, helped establish the Employee Benefits audit specialist program and was partner in charge of the Western region's Human Resource department for two years. Mrs. Bane serves as a member of the board for several nonprofit institutions in her community. She is also a member of the AICPA and the California Society of Certified Public Accountants.

G. Michael Brown will serve as a director upon the consummation of this offering. Mr. Brown has been a senior litigation partner with the law firm Musick, Peeler & Garrett LLP since June 2001. Prior to that, Mr. Brown was a partner at the law firm Berger, Kahn, Shafton, Moss, Figler, Simon & Gladstone from 1996 to 2001.

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 non-employee directors will

receive an annual fee of $15,000 for service on our board of directors, plus $1,000 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**
Robert W. Miller	2001	$340,000	$600,000
Chairman of the Board	2000	330,000	540,000
	1999	330,000	445,000
Steven G. Miller	2001	$325,000	$485,000
President & Chief Executive Officer	2000	300,000	425,000
	1999	285,000	330,000
Thomas J. Schlauch	2001	$196,000	$160,000
Senior Vice President, Buying	2000	186,000	140,000
	1999	178,000	109,000
Richard A. Johnson	2001	$168,000	$140,000
Senior Vice President, Store Operations	2000	158,000	120,000
	1999	150,000	90,000
Charles P. Kirk	2001	$178,000	$125,000
Senior Vice President & Chief Financial Officer	2000	168,000	105,000
	1999	160,000	80,000

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 4,536,000 shares of our common stock have been reserved for issuance pursuant to the 1997 management equity plan of which no more than 810,000 shares may be subject to stock options outstanding at any time. As of March 31, 2002, 3,744,702 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.

2002 Stock Incentive Plan

In connection with the consummation of this offering, we have adopted our 2002 stock incentive plan. The 2002 stock incentive plan provides for the grant of incentive stock options and non-qualified stock options to our employees, directors and specified consultants. We have reserved a total of 3,645,000 shares of our common stock for issuance pursuant to the 2002 stock incentive plan subject to certain adjustments set forth in the 2002 stock incentive plan.

Our board of directors intends to delegate general administrative authority over the 2002 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 and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code. 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 incentive 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 exercise price of nonqualified stock options will be determined by the administrator. The 2002 stock incentive plan generally does not allow for the transfer of options. However, the administrator may provide that nonqualified stock options may be transferred (i) pursuant to a qualified domestic relations order or (ii) to a family member. During any fiscal year, no optionee may receive grants in the aggregate which cover more than 540,000 shares.

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 90 days 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 a merger, reorganization or sale of substantially all of our assets, 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 2002 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

We have employment agreements with Steven G. Miller and Robert W. Miller.

Steven G. Miller. Mr. Steven G. Miller's employment agreement will be amended effective upon the closing of this offering and will provide for Mr. Steven G. Miller to serve as Chairman of our board of directors, Chief Executive Officer and President for a term of four years from any given date, such that there shall always be a minimum of at least four years remaining under his employment agreement. The employment agreement provides for Mr. Steven G. Miller to receive an annual base salary of $375,000, subject to annual increase based on comparable compensation packages provided to executives in similarly situated companies, and to participate in a bonus plan based on standards to be established by the compensation committee. Mr. Steven G. Miller is also entitled to specified perquisites. In addition, as long as Mr. Steven G. Miller serves as an officer, we will use our best efforts to ensure that he continues to serve on our board of directors and on the board of directors of our wholly-owned subsidiary, Big 5 Corp.

If Mr. Steven G. Miller's employment is terminated due to his death, the employment agreement provides for accelerated vesting of options that would have been exercisable during half of the remaining scheduled term of the employment agreement and the continuation of family medical benefits for the remaining scheduled term of the employment agreement. If Mr. Steven G. Miller's employment is terminated due to his disability, the employment agreement provides that we will pay Mr. Steven G. Miller his remaining base salary for half of the remaining scheduled term of the employment agreement and an additional payment equal to two times the greater of (i) his last annual cash bonus or (ii) the average annual cash bonus paid during the last three fiscal years. In addition, the employment agreement provides for accelerated vesting of options that would have been exercisable during half of the remaining scheduled term of the employment agreement and the continuation of specified benefits for such term.

If Mr. Steven G. Miller terminates the employment agreement for good reason or for any reason within six months of a change in control, or if we terminate the employment agreement without cause, the employment agreement provides we will pay Mr. Steven G. Miller his remaining base salary during the remaining scheduled term of the employment agreement and a additional payment equal to three times the greater of (i) his last annual cash bonus or (ii) the average annual cash bonus paid during the last three fiscal years. In addition, the employment agreement provides for accelerated vesting of all of his options and the continuation of specified benefits during the remaining scheduled term of the employment agreement.

If Mr. Steven G. Miller terminates the employment agreement without good reason or we terminate the employment agreement for cause, Mr. Steven G. Miller is entitled to receive all accrued and unpaid salary and other compensation and all accrued and unused vacation and sick pay.

Robert W. Miller. Mr. Robert W. Miller's employment agreement will be amended effective upon the closing of this offering and will provide for Mr. Robert W. Miller to serve as Chairman Emeritus of our board of directors for a term of three years from any given date, such that there shall always be a

minimum of at least three years remaining under his employment agreement. In addition, as long as Mr. Robert G. Miller serves as Chairman Emeritus, we will use our best efforts to ensure that he continues to serve on our board of directors. The employment agreement provides for Mr. Miller to receive an annual base salary of $350,000. Mr. Robert W. Miller is also entitled to specified perquisites.

If Mr. Robert W. Miller's employment is terminated by either Mr. Robert W. Miller or us for any reason, the employment agreement provides that we will pay Mr. Robert W. Miller his annual base salary and provide specified benefits for the remainder of his life. The employment agreement also provides that in the event Mr. Robert W. Miller is survived by his wife, we will pay his wife his annual base salary and provide her specified benefits for the remainder of her life.

One-Time Bonuses

In order to facilitate the offering, Green Equity Investors, L.P., as the holder of 78% of our Series A preferred stock, agreed to reduce the redemption price that would otherwise have been applicable to the redemption of our Series A preferred stock following the consummation of this offering by an amount sufficient to permit us to pay bonuses to our directors and executive officers who are selling, either directly or through family trusts or partnerships, shares of our common stock in this offering in an amount equal to the underwriting commissions and discounts that they will pay, as well as to repurchase shares from our other non-executive employees as described in this prospectus at the offering price to the public, rather than the net price to us after deducting underwriting commissions and discounts. Assuming an offering price to the public of $15.00 per share and underwriting commissions and discounts of 7%, if the underwriters do not exercise their over-allotment option, then we will pay the following bonuses: Robert W. Miller, $957,183; Steven G. Miller, $306,180; Michael D. Miller, $153,090; Charles P. Kirk, $73,483; Gary S. Meade, $16,840; Richard A. Johnson, $73,483; Thomas J. Schlauch, $61,236; and Jeffrey L. Fraley, $24,494.

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 Corp.

Prior to September 1992, the predecessor to what is now our wholly owned operating subsidiary was a wholly owned subsidiary of Thrifty Corporation, which in turn was a wholly owned subsidiary of Pacific Enterprises. In December 1996, Thrifty Corporation was acquired by Rite Aid Corp.

As a result of our prior relationship with Thrifty Corporation and its affiliates, we continue to maintain certain relationships with Rite Aid Corp. 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 arising out of Pacific Enterprises' prior ownership of all of the capital stock of Thrifty Corporation and the predecessor to what is now our wholly owned subsidiary, including (1) indemnification for certain environmental liability costs incurred by us resulting from a contravention of applicable law relating to the prior and then existing use and ownership of the properties and assets (including all real estate) previously owned by Pacific Enterprises and (2) indemnification for certain liability costs incurred by us resulting from a contravention by Pacific Enterprises of any applicable law relating to benefit plans sponsored by Thrifty PayLess, Inc. or Thrifty Corporation. The indemnification obligations of Sempra Energy relating to environmental liabilities, which pursuant to their terms are limited in scope and aggregate maximum dollar amounts, will continue until September 25, 2012, while the indemnification obligations relating to Sempra Energy's obligations under ERISA will continue until the expiration of all applicable statutes of limitations. Green Equity Investors III, L.P., an affiliate of Leonard Green & Partners, L.P., holds convertible preferred stock in Rite Aid Corp. 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 a significant 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. Jonathan Sokoloff and Jonathan Seiffer, both partners of Leonard Green & Partners, L.P. and former members of our board of directors, currently serve on Gart Sports Company's board of directors. Mr. Danhakl may from time to time 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. These services include regular consulting services regarding the status of the financial markets as they relate to specialty retailers and advice on financing alternatives, note repurchases and potential refinancings. We also pay reasonable and customary fees to Leonard Green & Associates, L.P. for services rendered 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. While we believe that we obtain significant benefits from these services, we do not believe that our business, operating results or financial condition are materially dependent on them. While the agreement does not provide either party the right to terminate prior to the stated expiration date of May 31, 2005, whether as

the result of a change of control or otherwise, Leonard Green & Associates, L.P. and we have agreed to terminate the management services agreement, effective upon the consummation of this offering. In connection with this termination, we will pay Leonard Green & Associates, L.P. a termination fee of $875,000, which represents a discounted value of the payments that we would otherwise be required to make through the stated expiration date of the management services agreement. We believe we will be able to obtain similar services from other consultants or investment banking firms in the future, if we believe we need them.

Amended and Restated Stockholders Agreement

We have a stockholders agreement with Green Equity Investors, L.P., Robert W. Miller and Steven G. Miller that will be amended effective upon the consummation of this offering. Under the amended and restated stockholders agreement, Green Equity Investors, L.P. may designate one member for nomination to our board of directors so long as it beneficially owns at least 5% of our outstanding shares of common stock. Robert W. Miller and Steven G. Miller have agreed to vote all of their common stock in favor of electing Green Equity Investors, L.P.'s nominee. If Robert W. Miller or Steven G. Miller is nominated for election to our board of directors, Green Equity Investors, L.P. has agreed to vote all of its shares in favor of electing both of them. The amended and restated stockholders agreement also modifies Green Equity Investors, L.P. previously-granted registration rights. Please refer to the information in this prospectus under the heading "Shares Eligible for Future Sale — Registration Rights" for a more detailed discussion of these registration rights. The amended and restated stockholders agreement terminates when Green Equity Investors, L.P. beneficially owns less than 5% of our outstanding common stock.

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 of the 350,000 outstanding shares of Series A preferred stock and will receive approximately $60.3 million upon redemption of such shares, assuming that the redemption occurs on or about July 2, 2002. See "Use of Proceeds." Green Equity Investors, L.P., as the holder of 78% of our Series A preferred stock, recently agreed to reduce the redemption price of the Series A preferred stock in an amount sufficient to permit us to pay certain bonuses to the selling stockholders and to repurchase shares from our non-executive employees at the offering price to the public rather than the net price to us after deducting underwriting commissions and discounts. See "Management — One Time Bonuses."

SECURITY OWNERSHIP BY MANAGEMENT AND PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our common stock as of March 31, 2002 by:

- each of the individuals listed under "Executive Compensation" on page 39;
- 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 15,599,790 shares of common stock outstanding as of March 31, 2002 and 21,299,790 shares of common stock outstanding after completion of this offering.

	Beneficial Ownership of Common Stock Before Offering		Beneficial Ownership of Common Stock After Offering	
Name(1)	Shares	%	Shares	%
Robert W. Miller(2)	2,031,552(3)	13.0%	1,119,949	5.3%
Steven G. Miller(2)	1,620,000(4)	10.4%	1,328,400	6.2%
Michael D. Miller	810,000(5)	5.2%	664,200	3.1%
Richard A. Johnson	388,800	2.5%	318,816	1.5%
Charles P. Kirk	388,800	2.5%	318,816	1.5%
Thomas J. Schlauch	324,000	2.1%	265,680	1.2%
John G. Danhakl	5,873,317(6)	37.6%	12,344	*
Green Equity Investors, L.P.(2)	5,860,973	37.6%	5,860,973	27.5%
All Executive Officers and Directors as a Group	11,655,169(7)	74.7%	10,068,512	47.3%

* *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.

(2) Pursuant to the amended and restated stockholders agreement, Steven G. Miller and Robert W. Miller have agreed to vote in favor of Green Equity Investor, L.P.'s nominee to our board of directors and Green Equity Investors, L.P. has agreed to vote in favor of Steven G. Miller and Robert W. Miller as members of our board of directors.

(3) Includes 816,552 shares of common stock held by Robert W. Miller and Florence H. Miller, Trustees of the Robert W. and Florence H. Miller Family Trust dated January 11, 1991 and 1,215,000 shares of common stock held by Robert W. and Florence Miller Family Partners, L.P. Florence H. Miller shares beneficial ownership of these shares with Robert W. Miller.

(4) Represents 1,620,000 shares of common stock held by Steven G. Miller and Jacquelyne G. Miller, Trustees of the Steven G. Miller and Jacquelyne G. Miller Trust dated September 13, 1990. Jacquelyne G. Miller shares beneficial ownership of these shares with Steven G. Miller.

(5) Represents 810,000 shares of common stock held by Michael D. Miller, Trustee of the Miller Living Trust dated December 11, 1997.

(6) Includes 1,247 shares of common stock owned directly by John G. Danhakl and 11,097 shares of common stock owned by John G. Danhakl and Kathy Danhakl, as joint tenants. The remaining 5,860,973 shares are owned of record by Green Equity Investors, L.P., of which the general partner is an affiliate of Leonard Green & Partners, L.P. Each of Leonard I. Green, Jonathan D. Sokoloff,

John G. Danhakl, Peter J. Nolan, Jonathan A. Seiffer and John M. Baumer, either directly (whether through ownership interest or position) or through one or more intermediaries, may be deemed to control Leonard Green & Partners, L.P., and Messrs. Green and Sokoloff may be deemed to control the general partner of Green Equity Investors, L.P. As such, Messrs. Green, Sokoloff, Danhakl, Nolan, Seiffer and Baumer may be deemed to have shared voting and investment power with respect to all shares held by Green Equity Investors, L.P. However, such individuals disclaim beneficial ownership of the securities held by Green Equity Investors, L.P. except to the extent of their respective pecuniary interests therein.

(7) Includes the shares identified in note (6) above.

DESCRIPTION OF CAPITAL STOCK

General

Upon the completion of this offering, we will be authorized to issue 50,000,000 shares of common stock, $0.01 par value per share, 350,000 shares of Series A preferred stock, $0.01 par value per share, and 2,650,000 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 March 31, 2002, there were 15,599,790 shares of common stock outstanding, which were held 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, including the election of all three classes of directors. 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 do not have preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. We anticipate using a portion of our net proceeds to repurchase common stock from our non-executive employees.

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 March 31, 2002, 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, less an amount (calculated as a percentage) sufficient to reduce the aggregate redemption price by an amount sufficient to permit us to pay bonuses to our directors and executive officers who are selling, either directly or through family trusts or partnerships, shares of our common stock in this offering in an amount equal to the underwriting commissions and discounts that they will pay, as well as to repurchase shares from our other non-executive employees as described in this prospectus at the offering price to the public, rather than the net price to us after deducting underwriting commissions and discounts, plus accrued and unpaid dividends, following any 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 March 31, 2002, a warrant to purchase 486,000 shares of our common stock was outstanding. The warrant is exercisable at any time with an exercise price of $0.00123 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 5,860,973 shares of our common stock held by it. In addition, holders of up to 11,435,925 shares of our common stock, which includes the shares held by Green Equity Investors, L.P., and the holder of a warrant to purchase 486,000 shares of our common stock will have piggyback registration rights after the consummation of this offering. 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 their 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;
- the 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 Proposals and Director Nominations. 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. These provisions may preclude

stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

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, owned, 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.

Amended and Restated Stockholders Agreement

We are a party to a stockholders agreement with Green Equity Investors, L.P. and Mr. Steven G. Miller and Mr. Robert W. Miller that will be amended effective upon the consummation of this offering. The amended agreement entitles Green Equity Investors, L.P. to nominate one director to our board of directors for as long as it holds at least 5% of our outstanding shares. The amended agreement also provides that Mr. Steven G. Miller and Mr. Robert W. Miller will vote their shares in favor of Green Equity Investors, L.P.'s nominee and that Green Equity Investors, L.P. will vote its shares to elect Mr. Steven G. Miller and Mr. Robert W. Miller to our board of directors. We are also a party to employment agreements with Mr. Steven G. Miller and Mr. Robert W. Miller which will be amended effective upon the consummation of this offering that will require us, so long as they remain an officer or Chairman Emeritus, respectively, to use our best efforts to ensure that each of them be a member of our board of directors.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is U.S. Stock Transfer Corporation.

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 "BGFV."

DESCRIPTION OF CERTAIN INDEBTEDNESS

The Credit Facility

Big 5 Corp., our wholly owned subsidiary, has a non-amortizing $125.0 million revolving credit facility. The credit facility bears interest at various rates based on Big 5 Corp.'s performance, with a floor of LIBOR plus 1.50% or the J.P. Morgan Chase prime lending rate and a ceiling of LIBOR plus 2.50% or the J.P. Morgan Chase prime lending rate plus 0.75% and is secured by Big 5 Corp.'s trade accounts receivable, merchandise inventories, service marks and trademarks and other general intangible assets, including trade names. The credit facility is not guaranteed by us. As of March 31, 2002, loans under the credit facility bear interest at a rate of LIBOR plus 1.50% or the J.P. Morgan Chase prime lending rate. An annual fee of 0.325%, payable monthly, is assessed on the unused portion of the credit facility. As of March 31, 2002, Big 5 Corp. had $25.0 million in LIBOR and prime lending rate borrowings and letters of credit of $3.4 million outstanding. The 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 $80.8 million as of March 31, 2002.

Covenants. The credit facility contains financial covenants that require Big 5 Corp. to satisfy, on a consolidated basis, specified quarterly financial tests, including:

- a minimum net worth of negative $50.0 million; and
- an availability of $5.0 million under the credit facility or a minimum fixed charge coverage ratio of 1.15 to 1.0.

The credit facility also contains a number of other customary covenants that, among other things, restrict Big 5 Corp.'s ability to:

- dispose of assets;
- incur additional debt;
- prepay other debt, subject to specified exceptions, or amend specified debt instruments;
- pay dividends;
- create liens on assets;
- make investments, loans or advances;
- make acquisitions;
- engage in mergers or consolidations;
- change the business conducted;
- engage in sale and leaseback transactions;
- make capital expenditures or engage in transactions with affiliates; and
- otherwise undertake various corporate activities outside the ordinary course of business.

Events of Default. The credit facility also contains customary events of default, including defaults based on:

- nonpayment of principal, interest or fees when due, subject to specified grace periods;
- events of bankruptcy and insolvency;
- breach of specified covenants;

- cessation of business;
- inaccuracy of specified representations and warranties;
- violations of the ERISA laws;
- specified occurrences related to the senior notes, such as amending the indenture governing the senior notes or prepaying, in whole or part, the senior notes, without prior written consent of the lenders; and
- cross-defaults to other debt.

Change of Control. The credit facility provides that, on 15 days prior notice, Big 5 Corp. may merge its subsidiaries or another entity in the retail sporting goods industry into itself, without prior consent of the lenders, so long as:

- Big 5 Corp. is the surviving entity;
- no lien on the assets of the subsidiary or other entity will survive the merger other than permitted encumbrances under the credit facility;
- the entity was formed and maintains its principal place of business and assets in the United States; and
- Big 5 Corp. is in full compliance with the terms of its debt instruments.

Any other change in the structure or existence of Big 5 Corp. requires the prior written consent of the lenders.

Termination. 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 March 2003. Unless it is terminated, the credit facility will continue on an annual extension basis from anniversary date to anniversary date beginning in April 2003. The lenders may also terminate the credit facility upon the occurrence of an event of default upon notice to Big 5 Corp.; however, no notice of termination is required if the event of default is an event of bankruptcy or insolvency. Big 5 Corp. may terminate the credit facility at any time upon 30 days prior written notice; however, if Big 5 Corp. terminates the credit facility prior to March 31, 2003, it must pay an early termination fee.

The Senior Notes

In connection with our 1997 recapitalization, Big 5 Corp., 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%, of which $103.8 million currently remains outstanding. 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 November 15, 2001. There are no mandatory payments of principal on the senior notes prior to their maturity in 2007.

Priority. The senior notes are general unsecured obligations, rank senior in right of payment to all existing and future indebtedness of Big 5 Corp. that is subordinated to the senior notes and rank *pari passu* in right of payment with all current and future unsubordinated indebtedness of Big 5 Corp., subject to certain restrictions due to the securitization of certain assets. The senior notes are not guaranteed by us.

Redemption. The senior notes are redeemable, in whole or in part, at Big 5 Corp.'s 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%

Covenants. The indenture governing the senior notes contains a number of customary covenants, including a provision regarding a change in control. The indenture provides that a change of control of Big 5 Corp. is permitted so long as:

- Big 5 Corp. is the surviving entity or the surviving entity was formed and maintains its principal place of business and assets in the United States and assumes by supplemental indenture the obligations of Big 5 Corp. under the indenture;
- no default or event of default shall exist or shall occur immediately after giving effect on a pro forma basis to such transaction;
- immediately after giving effect on a pro forma basis to such transaction, the consolidated net worth of the survivor is at least equal to that of Big 5 Corp. immediately prior to such transaction; and
- immediately after giving effect on a pro forma basis to such transaction, the surviving entity could incur at least $1 of additional indebtedness under the terms of the indenture.

Upon a change of control of Big 5 Corp., Big 5 Corp. 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 also contains customary covenants that, among other things, restrict the ability of Big 5 Corp. to:

- incur additional indebtedness outside the ordinary course of business;
- issue preferred stock;
- pay dividends or make other distributions, depending on its level of indebtedness at the time of the proposed dividend or distribution, whether it is in default under its financing agreements, the amount of dividends or distributions made in the past and its net cash proceeds from stock sales during the year in question;
- make certain investments or engage in any line of business outside the ordinary course of business;
- create certain liens on the collateral securing the loans issued under the credit facility;
- sell certain assets outside the ordinary course of business;
- enter into certain transactions with affiliates; and
- effect certain mergers and consolidations.

Events of Default. The indenture governing the senior notes contains customary events of default, including defaults based on:

- nonpayment of principal, premium or interest when due, subject to specified grace periods;
- events of bankruptcy and insolvency of Big 5 Corp. or any of its subsidiaries;
- dissolution and liquidation;
- breach of specified covenants and agreements, subject to specified grace periods;

- material inaccuracy of representations and warranties;
- cross-defaults on other debt owed by Big 5 Corp. or any of its subsidiaries, with an aggregate principal exceeding $15.0 million; and
- final judgments for payment of money against Big 5 Corp. or any of its subsidiaries not covered by insurance in an aggregate amount exceeding $15.0 million, subject to certain grace periods.

Senior Discount Notes

In connection with our 1997 recapitalization, we issued $48.2 million face amount of 13.45% senior discount notes due 2008, of which $25.4 million face amount currently remains outstanding. 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 accreted value of the senior discount notes, 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 21,299,790 shares of our common stock outstanding, assuming no exercise of the underwriters' over-allotment option, the repurchase of 413,343 shares of our common stock from our non-executive employees at their option and no exercise of the outstanding warrant to purchase 486,000 shares of our common stock that is exercisable for $0.00123 per share. All of the shares sold in this offering will be freely tradable, except that any shares purchased by directors, officers or other affiliates may only be sold in compliance with the applicable limitations of Rule 144. The remaining 13,599,790 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 599,056 shares of our common stock that will expire on November 11, 2002, 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 requirement 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

Executive officers, directors, vice presidents and certain other employees who own, in the aggregate, approximately % of our common stock prior to this offering have agreed that, except for shares of common stock to be sold in this offering and shares of common stock to be repurchased by us with a portion of the proceeds from this offering, 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. Certain other employees who own, in the aggregate, approximately % of our common stock prior to this offering have agreed that they will not offer for public sale common stock owned by them without the prior written consent of the managing underwriter in our public offering, in this case Credit Suisse First Boston Corporation, for a period of 180 days after the date of this prospectus.

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 5,860,973 shares of our common stock held by it. Registration would result in the shares becoming freely tradable without restriction under the Securities Act. In addition, specified holders will have piggyback registration rights with respect to 11,435,925 shares of our common stock, including the shares held by Green Equity Investors, L.P., and 486,000 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 10,904,656 shares of our common stock and all 486,000 shares of our common stock underlying a warrant have no expiration date. The piggyback registration rights with respect to 531,269 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 the holders of these shares are 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 their 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 2002 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 Internal Revenue Code of 1986, as amended. 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-U.S. holder who furnished the payor with an IRS Form W-8ECI or successor form must also provide a United States taxpayer identification number.

Gain on Disposition of Common Stock

A non-U.S. holder generally will not be subject to U.S. 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-U.S. holder generally would not be subject to U.S. federal income tax provided that (i) the common stock was "regularly traded" on

an established securities market and (ii) such non-U.S. 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-U.S. 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 U.S. 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 is currently 30% and will be reduced to 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. Each selling stockholder (or the trustee or general partner of such selling stockholder, as applicable) holds or has held during the past three years the position or office with the Company disclosed under "Management — Executive Officers and Directors."

Name of selling stockholder	# of shares owned prior to offering	# of shares offered	Beneficial Ownership of Common Stock After Offering	
			Shares	%
Robert W. Miller and Florence H. Miller, Trustees of the Robert W. and Florence H. Miller Family Trust dated January 11, 1991	816,552	366,405	450,147	2.1
Robert W. and Florence Miller Family Partners, L.P.	1,215,000	545,198	669,802	3.1
Steven G. Miller and Jacquelyne G. Miller, Trustees of the Steven G. Miller and Jacquelyne G. Miller Trust dated September 13, 1990	1,620,000	291,600	1,328,400	6.2
Michael D. Miller, Trustee of the Miller Living Trust dated December 11, 1997	810,000	145,800	664,200	3.1
Charles P. Kirk	388,800	69,984	318,816	1.5
Gary S. Meade	89,100	16,038	73,062	*
Richard A. Johnson	388,800	69,984	318,816	1.5
Thomas J. Schlauch	324,000	58,320	265,680	1.2
Jeffrey L. Fraley	129,600	23,328	106,272	*

* Less than 1% of the class.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2002, 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	7,700,000

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 649,078 additional shares from us and an aggregate of 505,922 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.

Executive officers, directors, vice presidents and certain other employees who own, in the aggregate, approximately % of our common stock prior to this offering have agreed that, except for shares of common stock to be sold in this offering and shares of common stock to be repurchased by us with a portion of the proceeds from this offering, 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. Certain other employees who own, in the aggregate, approximately % of our common stock prior to this offering have agreed that they will not offer for public sale common stock owned by them without the prior written consent of the managing underwriter in our public offering, in this case Credit Suisse First Boston Corporation, for a period of 180 days after the date of this prospectus.

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 "BGFV".

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.

On a pre-offering basis, as of March 31, 2002,

- employees of Credit Suisse First Boston Corporation collectively owned 0.64% of our Series A preferred stock and 0.26% of our common stock,

- Credit Suisse First Boston Corporation affiliates, DLJ Capital Corporation and DLJ First ESC, LLC, collectively owned 5.63% of our Series A preferred stock and 2.63% of our common stock and

- Credit Suisse First Boston Corporation affiliate, DLJ Fund Investment Partners II, LP, through its investment in the entity that owns the warrant to purchase 486,000 shares of common stock, indirectly owned 0.06% of our common stock.

Credit Suisse First Boston Corporation and one of its affiliates have provided investment banking and other advisory services for us, for which they have received customary fees and reimbursement of expenses. The representatives may in the future provide additional services.

In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty bids and passive market making 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.

- In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our common stock until the time, if any, at which a stabilizing bid is made.

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, or selling group members, if any, 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.

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 Only

Under Ontario securities legislation, a purchaser who purchases a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the shares, for rescission against us and the selling stockholders in the event that this prospectus contains a misrepresentation. A purchaser will be deemed to have relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the shares. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the shares. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us or the selling stockholders. In no case will the amount recoverable in any action exceed the price at which the shares were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we and the selling stockholders will have no liability. In the case of an action for damages, we and the selling stockholders will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the shares as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

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.

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. Certain partners and former partners of Irell & Manella LLP own an aggregate of 25,709 shares of our common stock and 1,200 shares of our Series A preferred stock.

EXPERTS

The consolidated financial statements of Big 5 Sporting Goods Corporation and subsidiary as of December 31, 2000 and December 30, 2001 and for each of the fiscal years ended January 2, 2000, December 31, 2000 and December 30, 2001 have been included herein and in the registration statement in reliance on the report of KPMG LLP, independent 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

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 December 31, 2000 and December 30, 2001 and the results of their operations and their cash flows for each of the fiscal years ended January 2, 2000, December 31, 2000 and December 30, 2001 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California

March 1, 2002, except as to note 17
which is as of May 31, 2002

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	December 31, 2000	December 30, 2001	March 31, 2002 (unaudited)
ASSETS			
Current assets:			
Cash	$ 3,753	$ 7,865	$ 6,673
Trade and other receivables, net of allowance for doubtful accounts of $607, $671 and $699, respectively	7,429	8,229	5,070
Merchandise inventories	168,981	163,680	168,565
Prepaid expenses	1,146	1,469	2,264
Total current assets	181,309	181,243	182,572
Property and equipment:			
Land	186	186	186
Buildings and improvements	27,264	31,903	30,376
Furniture and equipment	50,089	51,007	53,684
Less accumulated depreciation and amortization	(37,577)	(40,446)	(42,344)
Net property and equipment	39,962	42,650	41,902
Deferred income taxes, net	13,159	12,353	12,353
Leasehold interest, net of accumulated amortization of $19,387, $21,264 and $21,711, respectively	9,347	7,600	7,153
Other assets, at cost, less accumulated amortization of $4,139, $4,871 and $5,053, respectively	4,621	4,249	4,378
Goodwill, less accumulated amortization of $1,865, $2,112 and $2,112, respectively	4,680	4,433	4,433
Total assets	$253,078	$252,528	$252,791
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable	$ 64,401	$ 62,308	$ 71,032
Accrued expenses	47,481	52,643	44,121
Total current liabilities	111,882	114,951	115,153
Deferred rent	7,533	7,791	7,806
Long-term debt	172,098	153,351	151,193
Total liabilities	291,513	276,093	274,152
Redeemable Series A 13.45% Senior Exchangeable Preferred Stock, $0.01 par value. Authorized 350,000 shares; issued and outstanding 350,000 shares at December 31, 2000, December 30, 2001 and March 31, 2002 (unaudited)	51,721	58,911	59,550
Commitments and contingencies			
Stockholders' deficit:			
Preferred stock, $0.01 par value. Authorized 3,000,000 shares; no shares issued and outstanding at December 31, 2000, December 30, 2001 and March 31, 2002 (unaudited)	—	—	—
Common stock, $0.01 par value. Authorized 50,000,000 shares; issued and outstanding 15,604,650 shares, 15,602,220 shares and 15,599,790 shares at December 31, 2000, December 30, 2001 and March 31, 2002 (unaudited), respectively	156	156	156
Additional paid-in capital	7,059	7,058	7,057
Accumulated deficit	(97,371)	(89,690)	(88,124)
Net stockholders' deficit	(90,156)	(82,476)	(80,911)
Total liabilities, redeemable preferred stock and stockholders' deficit	$253,078	$252,528	$252,791

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			13 Weeks Ended	
	January 2, 2000	December 31, 2000	December 30, 2001	April 1, 2001	March 31, 2002
				(unaudited)	
Net sales	$ 514,324	$ 571,476	$ 622,481	$ 143,179	$ 157,133
Cost of goods sold, buying and occupancy	341,852	377,040	407,679	95,342	102,126
Gross profit	172,472	194,436	214,802	47,837	55,007
Operating expenses:					
Selling and administrative	131,222	144,703	160,044	38,252	42,115
Litigation settlement	—	—	2,515	—	—
Depreciation and amortization	9,479	9,340	10,031	2,574	2,361
Total operating expenses	140,701	154,043	172,590	40,826	44,476
Operating income	31,771	40,393	42,212	7,011	10,531
Interest expense	21,574	22,008	19,629	5,225	4,483
Income before income taxes and extraordinary gain (loss)	10,197	18,385	22,583	1,786	6,048
Income taxes	4,000	7,324	9,218	743	2,479
Income before extraordinary gain (loss)	6,197	11,061	13,365	1,043	3,569
Extraordinary gain (loss) from early extinguishment of debt, net of income taxes	(372)	87	1,600	1,600	(39)
Net income	$ 5,825	$ 11,148	$ 14,965	$ 2,643	$ 3,530
Net income per common share excluding extraordinary item:					
Basic	$ 0.04	$ 0.30	$ 0.39	$ (0.05)	$ 0.10
Diluted	$ 0.04	$ 0.29	$ 0.38	$ (0.05)	$ 0.10
Net income per common share:					
Basic	$ 0.01	$ 0.30	$ 0.49	$ 0.06	$ 0.10
Diluted	$ 0.01	$ 0.30	$ 0.48	$ 0.06	$ 0.10
Weighted average shares of common stock outstanding:					
Basic	15,611,729	15,607,647	15,604,439	15,604,650	15,601,021
Diluted	16,097,729	16,093,647	16,090,439	16,090,650	16,087,021

See accompanying notes to consolidated financial statements.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

Fiscal years ended January 2, 2000, December 31, 2000
December 30, 2001, and thirteen weeks ended March 31, 2002 (unaudited)
(dollars in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Net Stockholders' Deficit
	Shares	Amount			
Balance at January 3, 1999	15,614,370	$156	$7,065	$(102,323)	$(95,102)
Redeemable preferred stock dividend	—	—	—	(5,621)	(5,621)
Repurchase of common stock	(6,480)	—	(4)	—	(4)
Net income	—	—	—	5,825	5,825
Balance at January 2, 2000	15,607,890	156	7,061	(102,119)	(94,902)
Redeemable preferred stock dividend	—	—	—	(6,400)	(6,400)
Repurchase of common stock	(3,240)	—	(2)	—	(2)
Net income	—	—	—	11,148	11,148
Balance at December 31, 2000	15,604,650	156	7,059	(97,371)	(90,156)
Redeemable preferred stock dividend	—	—	—	(7,284)	(7,284)
Repurchase of common stock	(2,430)	—	(1)	—	(1)
Net income	—	—	—	14,965	14,965
Balance at December 30, 2001	15,602,220	156	7,058	(89,690)	(82,476)
Redeemable preferred stock dividend (unaudited)	—	—	—	(1,964)	(1,964)
Repurchase of common stock (unaudited)	(2,430)	—	(1)	—	(1)
Net income (unaudited)	—	—	—	3,530	3,530
Balance at March 31, 2002 (unaudited)	15,599,790	$156	$7,057	$ (88,124)	$(80,911)

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			13 Weeks Ended	
	January 2, 2000	December 31, 2000	December 30, 2001	April 1, 2001	March 31, 2002
				(unaudited)	
Cash flows from operating activities:					
Net income	$ 5,825	$ 11,148	$ 14,965	$ 2,643	$ 3,530
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	9,479	9,340	10,031	2,574	2,361
Amortization of deferred finance charges and discounts	4,293	4,684	3,932	1,056	966
Deferred tax provision (benefit)	(1,567)	(5,492)	806	—	—
Loss on disposal of equipment and leasehold interest	133	278	43	24	—
Extraordinary (gain) loss from early extinguishment of debt	621	(148)	(2,662)	(2,662)	114
Changes in operating assets and liabilities:					
Merchandise inventories	(7,987)	(13,698)	5,301	(6,542)	(4,885)
Trade and other accounts receivable, net	(584)	(498)	(800)	2,889	3,159
Prepaid expenses and other assets	218	182	(959)	(652)	(1,186)
Accounts payable	(2,562)	6,538	(4,204)	2,810	9,324
Accrued expenses	7,730	7,523	5,068	(12,125)	(9,847)
Net cash provided by (used in) operating activities	15,599	19,857	31,521	(9,985)	3,536
Cash flows from investing activities — purchases of property and equipment	(13,075)	(11,602)	(10,510)	(1,483)	(1,151)
Cash flows from financing activities:					
Net borrowings (repayments) under revolving credit facilities and other	$ 16,539	$ (2,252)	$(10,210)	17,755	(578)
Repayment of Notes	(20,423)	(7,339)	(6,688)	(6,688)	(2,998)
Repurchase of common stock	(4)	(2)	(1)	—	(1)
Net cash provided by (used in) financing activities	(3,888)	(9,593)	(16,899)	11,067	(3,577)
Net increase (decrease) in cash	(1,364)	(1,338)	4,112	(401)	(1,192)
Cash at beginning of year	6,455	5,091	3,753	3,753	7,865
Cash at end of year	$ 5,091	$ 3,753	$ 7,865	3,352	6,673
Supplemental disclosures of non-cash financing activities:					
Accreted dividends on preferred stock	$ 5,621	$ 6,400	$ 7,284	1,750	1,964
Supplemental disclosures of cash flow information:					
Interest paid	$ 16,935	$ 17,013	$ 14,690	1,124	557
Income taxes paid	1,664	8,143	13,820	5,287	3,321

See accompanying notes to consolidated financial statements.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000, December 30, 2001 and March 31, 2002 (unaudited)
(dollars in thousands, except per share data)

(1) Basis of Presentation and Description of Business

The accompanying consolidated financial statements as of December 31, 2000, December 30, 2001 and March 31, 2002 (unaudited) and for the years ended January 2, 2000, December 31, 2000 and December 30, 2001 and the thirteen weeks ended April 1, 2001 (unaudited) and March 31, 2002 (unaudited) represent the financial position and results of operations of Big 5 Sporting Goods Corporation and its wholly owned subsidiary, Big 5 Corp. ("Big 5 Corp."). 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 261 stores at March 31, 2002 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 Big 5 Corp. 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 years ended January 2, 2000, December 31, 2000 and December 30, 2001 represent 52-week fiscal years.

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.

Trade and Other Receivables

Trade accounts receivable consist primarily of third party credit card receivables. Other receivables consist principally of net amounts due from vendors for certain co-op advertising. Accounts receivable have not historically resulted in any material credit losses. 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 weighted 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.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. The Company adopted SFAS No. 142, *Goodwill and Other Intangible Assets*, effective December 31, 2001 (see note 16 — unaudited).

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. Self insurance reserves amount to $4,628, $4,987 and $4,747 (unaudited) at December 31, 2000, December 30, 2001 and March 31, 2002, respectively, and are included in accrued liabilities.

Preopening Expenses

New store preopening expenses are charged against operations as incurred.

Advertising Expenses

The Company expenses advertising costs the first time the advertising takes place. Advertising expenses amounted to $30,613 for the fiscal year ended January 2, 2000, $33,498 for the fiscal year ended December 31, 2000 and $35,981 for the fiscal year ended December 30, 2001. Advertising expense amounted to $8,196 and $9,367 for the thirteen weeks ended April 1, 2001 and March 31, 2002, respectively (unaudited). Advertising expense is included in selling and administrative expenses in the accompanying statements of operations. There are no amounts related to advertising reported as assets in the balance sheets presented.

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

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 (see note 17).

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.

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. The Company adopted SFAS No. 144, *Accounting for the Disposal of Long-Lived Assets*, effective December 31, 2001.

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, 2001.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Long-Term Debt

Long-term debt consists of the following:

	December 31, 2000	December 30, 2001	March 31, 2002 (unaudited)
Revolving credit facility	$ 37,321	$ 25,000	$ 25,022
10.875% Senior Notes, net of unamortized discount, $103.6 million face amount at March 31, 2002, due in 2007	103,768	103,806	103,306
13.45% Senior Discount Notes, net of unamortized discount, $25.4 million face amount at March 31, 2002, due in 2008	31,009	24,545	22,865
Total long-term debt	$172,098	$153,351	$151,193

In 1997, the Company issued $131,000 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. The Senior Notes are unsecured obligations that rank senior in right of payment to all existing and future indebtedness that is subordinated to the Senior Notes and rank *pari passu* in right of payment with all current and future unsubordinated indebtedness, subject to restrictions due to the securitization of certain assets. During the year ended January 2, 2000, the Company repurchased $19,100 face value of Senior Notes for a repurchase price of $19,060. The Company repurchased an additional $7,750 face value of Senior Notes during the year ended December 31, 2000 for a repurchase price of $7,339. On February 14, 2002, the Company repurchased an additional $500 face value of Senior Notes for a repurchase price of $499.

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 $48,200 face amount, 13.45% Senior Discount Notes (Senior Discount Notes) due 2008, less a discount of $24,000 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 $24,500. 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. The Company repurchased $2,500 face value of Senior Discount Notes during the year ended January 2, 2000 and $12,500 face value of Senior Discount Notes during the year ended December 30, 2001 for a repurchase price of $1,363 and $6,688, respectively. On February 1, 2002, the Company repurchased an additional $2,825 face value of Senior Discount Notes for a repurchase price of $2,536.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 $125,000 revolving credit facility (the CIT Credit Facility). The CIT 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 on December 31, 2002. The Company may terminate the CIT Credit Facility by giving at least 30 days prior written notice, provided that if the Company terminates prior to December 31, 2002, it must pay an early termination fee. Unless it is terminated, the CIT Credit Facility will continue on an annual basis from anniversary date to anniversary date beginning in January 2003. In April 2002, the Company amended this agreement to change the anniversary date to March 31, 2003 (unaudited). 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 30, 2001, loans under the CIT Credit Facility bear interest at a rate of LIBOR (2.0% at December 30, 2001) plus 1.50% or the Chase Manhattan prime lending rate (5% at December 30, 2001). An annual fee of 0.325%, payable monthly, is assessed on the unused portion of the facility. On December 30, 2001, the Company had $25,000 in LIBOR and prime lending rate borrowings and letters of credit of $3,435 outstanding. On March 31, 2002, the Company had $25,022 (unaudited) in LIBOR and prime lending rate borrowings and letters of credit of $3,435 outstanding (unaudited). 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 $91,366 and $80,782 (unaudited) at December 30, 2001 and March 31, 2002, respectively.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The various debt agreements contain covenants restricting the ability of the Company to, among other things, incur additional debt, create or allow liens, 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, issue preferred stock and engage in certain transactions with affiliates. In addition, the Company must comply with certain financial covenants. The Company was in compliance with all such covenants at December 30, 2001.

(4) Fair Values of Financial Instruments

The fair value of cash, 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 Senior Notes at December 30, 2001 approximated $103,546 based on recent market prices. The fair value of the Senior Discount Notes at December 30, 2001 approximated $24,545 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			13 Weeks Ended	
	January 2, 2000	December 31, 2000	December 30, 2001	April 1, 2001	March 31, 2002
				(unaudited)	
Cash rental payments	$27,179	$29,667	$31,602	$7,734	$8,306
Noncash rentals	625	375	258	103	15
Contingent rentals	1,360	1,592	1,710	152	153
Rental expense	$29,164	$31,634	$33,570	$7,989	$8,474

Future minimum lease payments (cash rentals) under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 30, 2001 are:

Year ending:	
2002	$ 33,350
2003	32,957
2004	32,178
2005	29,552
2006	25,262
Thereafter	113,525

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Accrued Expenses

Accrued expenses consist of the following:

	December 31, 2000	December 30, 2001	March 31, 2002
			(unaudited)
Payroll and related expenses	$12,494	$13,051	$10,041
Advertising	5,059	5,768	3,008
Sales tax	6,781	7,285	5,118
Income tax	8,018	3,673	2,920
Litigation settlement	—	2,515	2,318
Other	15,129	20,351	20,716
	$47,481	$52,643	$44,121

(7) Income Taxes

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

	Fiscal Year Ended			13 Weeks Ended	
	January 2, 2000	December 31, 2000	December 30, 2001	April 1, 2001	March 31, 2002
					(unaudited)
Income tax before extraordinary gain (loss)	$4,000	$7,324	$ 9,218	$ 743	$2,479
Tax effect of extraordinary gain (loss)	(249)	61	1,062	1,062	(28)
Total income tax expense	$3,751	$7,385	$10,280	$1,805	$2,451

	Current	Deferred	Total
2001:			
Federal	$ 6,761	$ 711	$7,546
State	1,561	95	1,672
	$ 8,322	$ 806	$9,218
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

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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			13 Weeks Ended	
	January 2, 2000	December 31, 2000	December 30, 2001	April 1, 2001	March 31, 2002
					(unaudited)
Tax expense at statutory rate	$3,568	$6,434	$7,904	$625	2,116
State taxes, net of federal benefit	495	875	1,093	107	363
Other	(63)	15	221	11	—
	$4,000	$7,324	$9,218	$743	$2,479

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

	December 31, 2000	December 30, 2001	March 31, 2002
			(unaudited)
Deferred tax assets:			
Self-insurance reserves	$ 1,844	$ 1,987	1,987
Employee benefits	1,754	1,946	1,946
State taxes	809	627	627
Noncash rent expense	3,001	3,104	3,104
Amortization of tangible and intangible assets	598	194	194
Deferred interest	4,560	5,282	5,282
Other	883	405	405
Deferred tax assets	13,449	13,545	13,545
Deferred liabilities — basis in fixed assets	290	1,192	1,192
Net deferred tax assets	$13,159	$12,353	$12,353

In assessing the realizability of deferred tax assets, 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 $1,483 for the year ended January 2, 2000, $1,650 for the year ended December 31, 2000 and $1,830 for the year ended December 30, 2001 in employer matching and profit sharing contributions. The Company contributed $450 and $500, respectively, for the thirteen weeks ended April 1, 2001 and March 31, 2002 (unaudited) in employer matching and profit sharing contributions.

The Company has no other significant postretirement or postemployment benefits.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Related Party Transactions

Prior to September 1992, Big 5 Corp. 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 Corp. (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. An affiliate of a stockholder of the Company holds convertible preferred stock in Rite Aid, which, if converted, would represent approximately 11% of Rite Aid's outstanding stock.

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 $194 for the year ended January 2, 2000, $203 for the year ended December 31, 2000 and $212 for the year ended December 30, 2001. Charges related to these leases totaled $55 and $56, respectively, for the thirteen weeks ended April 1, 2001 and March 31, 2002 (unaudited).

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 January 2, 2000, December 31, 2000, and December 30, 2001, the Company paid $340 to this advisor group. During the thirteen weeks ended April 1, 2001 and March 31, 2002, the Company paid $86 to this advisor group (unaudited). An executive officer and equity owner of the investment advisor group is a member of the Company's board of directors.

(10) Contingencies

In August 2001, the Company received a copy of a complaint filed in the California Superior Court in Los Angeles 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 its California store managers and its California first assistant store managers. The plaintiffs allege that the Company improperly classified its 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 the Company to treat its store management as non-exempt. On February 8, 2002, the Company filed a joint settlement with the court for this complaint. Under the terms of the settlement, the Company agreed to pay $32.46 per week of active employment as store manager during August 8, 1997 through December 31, 2001, the covered period, and $25.50 per week of active employment as first assistant store manager during the covered period to each class member who submits a valid and timely claim form. The Company also agreed to pay attorneys' fees, plus costs and expenses, in the amount of $690, as well as up to $40 for the cost of the settlement administrator. In addition, the Company agreed to pay the class representatives an additional aggregate amount of $32.5 for their service as named plaintiffs. The settlement is subject to the approval of the court. Once approved, the settlement will constitute a full and complete settlement and release of all claims related to the lawsuit. In addition, the Company admits no liability or other wrongdoing with respect to the claims set forth in the lawsuit.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company intends to defend the case vigorously if the court does not approve the settlement agreement. If the settlement is not approved by the court, an adverse result in this litigation could harm the Company's financial condition, and any required change in the Company's labor practices, as well as the costs of defending this litigation, could have a negative impact on the Company's results of operations. The Company recorded a litigation charge of $2,515 in the fourth quarter of 2001 to provide for expected payments to class members as well as legal and other fees associated with the settlement of this complaint.

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 December 30, 2001				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$143,179	$151,456	$158,085	$169,761	$622,481
Gross profit	47,837	53,609	52,956	60,400	214,802
Net income	2,643	3,257	2,945	6,120	14,965

(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 $918, $1,012 and $2,336 at December 31, 2000, December 30, 2001 and March 31, 2002 (unaudited), respectively.

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Redeemable preferred stock consists of the following:

	Fiscal Year Ended			13 Weeks Ended
	January 2, 2000	December 31, 2000	December 30, 2001	March 31, 2002
				(unaudited)
Initial liquidation preference	$35,000	$35,000	$35,000	$35,000
Dividends added to initial liquidation preference	10,408	16,721	23,911	24,550
	$45,408	$51,721	$58,911	$59,550

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 following a public offering of its common stock at 110% of the liquidation preference, less an amount (calculated as a percentage) sufficient to reduce the aggregate redemption price by an amount sufficient to permit the Company to pay bonuses to the Company's directors and executive officers who are selling, either directly or through family trusts or partnerships, shares of the Company's common stock in a public offering in an amount equal to the underwriting commissions and discounts that they will pay, as well as to repurchase shares from the Company's other non-executive employees relating to such offering at the offering price to the public, rather than the net price to the Company after deducting underwriting commissions and discounts, 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 of the Company 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 4,536,000 shares. No more than 810,000 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 30, 2001 and March 31, 2002 (unaudited), no options

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

had been granted under the 1997 Plan and 3,744,702 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 486,000 shares of common stock. The warrant is exercisable at any time with an exercise price of $.00123 per share. The warrant expires on November 30, 2008. The fair value of the warrant at the time of issuance was $300, determined by cash purchases of common stock on the same date. At December 30, 2001 and March 31, 2002 (unaudited), the warrant had not been exercised.

(15) Earnings Per Share

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

	Fiscal Year Ended			13 Weeks Ended	
	January 2, 2000	December 31, 2000	December 30, 2001	April 1, 2001	March 31, 2002
				(unaudited)	
Income before extraordinary gain (loss)	$ 6,197	$ 11,061	$ 13,365	$ 1,043	$ 3,569
Extraordinary gain (loss)	(372)	87	1,600	1,600	(39)
Net income	5,825	11,148	14,965	2,643	3,530
Less: Preferred stock dividends	5,621	6,400	7,284	1,750	1,964
Net income available to common stockholders	$ 204	$ 4,748	$ 7,681	893	1,566
Basic earnings per share:					
Income (loss) before extraordinary gain (loss)	$ 0.04	$ 0.30	$ 0.39	$ (0.05)	$ 0.10
Net income	$ 0.01	$ 0.30	$ 0.49	$ 0.06	$ 0.10
Diluted earnings per share:					
Income (loss) before extraordinary gain (loss)	$ 0.04	$ 0.29	$ 0.38	$ (0.05)	$ 0.10
Net income	$ 0.01	$ 0.30	$ 0.48	$ 0.06	$ 0.10
Weighted average shares of common stock outstanding:					
Basic	15,611,729	15,607,647	15,604,439	15,604,650	15,601,021
Dilutive effect of outstanding warrant	486,000	486,000	486,000	486,000	486,000
Diluted	16,097,729	16,093,647	16,090,439	16,090,650	16,087,021

Warrants to purchase 486,000 shares of common stock were outstanding during the 13 week period ended April 1, 2001 but were not included in the computation of diluted earnings (loss) per share of income (loss) before extraordinary gain (loss) because the warrants would have been antidilutive (unaudited).

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Goodwill and Other Intangible Assets (unaudited)

On June 29, 2001, FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), which addresses financial accounting and reporting for goodwill and other intangible assets and requires that goodwill amortization be discontinued and replaced with periodic tests of impairment. A two-step impairment test is used to first identify potential goodwill impairment and then measure the amount of goodwill impairment loss, if any. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. Impairment losses that arise due to the initial application of this standard are reported as a cumulative effect of a change in accounting principle. The first step of the goodwill impairment test, which must be completed within six months of the effective date of this standard, will identify potential goodwill impairment. The second step of the goodwill impairment test, which must be completed prior to the issuance of the annual financial statements, will measure the amount of goodwill impairment loss, if any.

In accordance with SFAS No. 142, goodwill amortization was discontinued as of December 31, 2001. There was no cumulative effect of a change in accounting principle upon adoption.

The following adjusts reported net income and EPS to exclude goodwill amortization:

	Fiscal Year			13 Weeks Ended	
	1999	2000	2001	April 1, 2001	March 31, 2002
			(In millions, except per share amounts)	(unaudited)	
Reported net income	$5,825	$11,148	$14,965	$2,643	$3,530
Goodwill amortization, net of tax	150	149	146	37	—
Adjusted net income	$5,975	$11,297	$15,111	$2,680	$3,530
Reported basic EPS	$ 0.01	$ 0.30	$ 0.49	$ 0.06	$ 0.10
Goodwill amortization, net of tax	—	—	—	—	—
Adjusted basic EPS	$ 0.01	$ 0.30	$ 0.49	$ 0.06	$ 0.10
Reported diluted EPS	$ 0.01	$ 0.30	$ 0.48	$ 0.06	$ 0.10
Goodwill amortization, net of tax	—	—	—	—	—
Adjusted diluted EPS	$ 0.01	$ 0.30	$ 0.48	$ 0.06	$ 0.10

(17) Stock Split

On May 31, 2002, the Company's Board of Directors approved a resolution to increase the authorized common shares from 5,000,000 to 50,000,000, and to enact an 8.1 for 1 stock split such that 1,925,900 issued and outstanding shares of common stock will be split into 15,599,790 issued and outstanding shares of common stock upon the completion of the initial public offering. In connection with the stock split, the par value of the common stock remained $0.01. All disclosures of shares of common stock and earnings per share have been changed in the accompanying financial statements to retroactively reflect the stock split.

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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	950,000
Accounting fees and expenses	200,000
Blue sky fees and expenses	10,000
Transfer agent and registrar fees and expenses	15,000
Miscellaneous	50,000
Total	$1,560,750

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 will provide 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 10.18 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:**

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 4th day of June, 2002.

BIG 5 SPORTING GOODS CORPORATION

By: *

Steven G. Miller
President and Chief Executive Officer

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
*	President, Chief Executive Officer and Director (Principal Executive Officer)	June 4, 2002
Steven G. Miller		
*	Chief Financial Officer (Principal Financial and Accounting Officer)	June 4, 2002
Charles P. Kirk		
*	Chairman of the Board	June 4, 2002
Robert W. Miller		
*	Director	June 4, 2002
Michael D. Miller		
*	Director	June 4, 2002
John G. Danhakl		
*By: /s/ GARY S. MEADE		
Gary S. Meade Attorney-in-Fact		

BIG 5 SPORTING GOODS CORPORATION AND SUBSIDIARY

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(dollars in thousands)

	Balance at Beginning of Year	Additions: Charges to Operations	Deductions: A/R Write Offs	Balance at End of Year
January 2, 2000				
Allowance for doubtful receivables	$939	$181	$(621)	$499
December 31, 2000				
Allowance for doubtful receivables	499	365	(257)	607
December 30, 2001				
Allowance for doubtful receivables	607	129	(65)	671

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EXHIBIT INDEX

Exhibit Number	Title
1.1	Form of Underwriting Agreement*
3.1	Restated Certificate of Incorporation of the Registrant (as currently in effect)(4)
3.1.1	Certificate of Amendment of Certificate of Incorporation of the Registrant (as currently in effect)(4)
3.1.2	Certificate of Amendment of Certificate of Incorporation of the Registrant (as currently in effect)(6)
3.2	Registrant Bylaws (as currently in effect)(4)
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)(6)
3.4	Form of Amended and Restated Bylaws (to be adopted upon the closing of the offering)(6)
4.1	Specimen of Common Stock Certificate*
4.2	Indenture dated as of November 13, 1997 between Big 5 Corp. and First Trust National Association, as trustee(1)
4.3	Form of Big 5 Corp. 10.875% Series B Senior Notes due 2007 (included in Exhibit 4.2)(1)
4.4	Indenture dated as of November 13, 1997 between the Registrant and First Trust National Association, as trustee(4)
4.5	Form of Registrant 13.45% Senior Discount Notes due 2008(4)
5.1	Opinion of Irell & Manella LLP (including consent)(6)
10.1	Form of Amended and Restated Stockholders Agreement among the Registrant, Green Equity Investors, L.P., Steven G. Miller and Robert W. Miller(6)
10.2	Management Services Agreement dated as of November 13, 1997 by and among Registrant, Big 5 Corp. and Leonard Green & Associates, L.P.(1)
10.3	1997 Management Equity Plan(4)
10.4	2002 Stock Incentive Plan(6)
10.5	Form of Amended and Restated Employment Agreement between Robert W. Miller and the Registrant(6)
10.6	Form of Amended and Restated Employment Agreement between Steven G. Miller and the Registrant(6)
10.7	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(2)
10.8	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(2)
10.9	Financing Agreement dated March 8, 1996 between The CIT Group/ Business Credit, Inc. and Big 5 Corp.(3)
10.10	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.(3)
10.11	Guarantee dated March 8, 1996 by Big 5 Corporation (now known as the Registrant) in favor of The CIT Group/ Business Credit, Inc.(3)
10.12	Lease among Big 5 Corp. (Lessee) and the State of Wisconsin Investment Board (Lessor) dated as of March 5, 1996(3)
10.13	Letter agreement from The CIT Group/ Business Credit, Inc. to 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.(1)
10.14	Letter agreement 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.(4)

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.(4)
10.16	Sixth Amendment to Financing Agreement, dated February 27, 2002, 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.(5)
10.17	Seventh Amendment to Financing Agreement, dated April 30, 2002, 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.*
10.18	Form of Indemnification Agreement(6)
10.19	Form of Termination Agreement by and among the Registrant, Big 5 Corp. and Leonard Green & Associates, L.P.(6)
10.20	Stock Subscription Agreement dated as of September 25, 1992, between the Registrant and Green Equity Investors, L.P.(6)
10.21	Letter agreement from The CIT Group/Business Credit, Inc. to Big 5 Corp. dated April 17, 1996, amending the Financing Agreement dated March 8, 1996, between Big 5 Corp. (successor to United Merchandising Corp.) and The CIT Group/Business Credit, Inc.(6)
10.22	Letter agreement from The CIT Group/Business Credit, Inc. to Big 5 Corp. dated August 11, 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.(6)
21.1	Subsidiaries of the Registrant(4)
23.1	Consent of KPMG LLP(6)
23.2	Consent of Irell & Manella LLP (included in Exhibit No. 5.1)
24.1	Powers of Attorney(4)
99.1	Consent of Director(6)
99.2	Consent of Director(6)

* 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.

(4) Previously filed with the Registration Statement on Form S-1 filed by the Registrant on August 21, 2001.

(5) Previously filed with Amendment No. 1 to the Registration Statement on Form S-1 filed by the Registrant on March 18, 2002.

(6) Filed herewith.

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

BIG 5 SPORTING GOODS CORPORATION

(Exact name of registrant as specified in its governing documents)

EXHIBITS

CERTIFICATE OF AMENDMENT
OF THE
CERTIFICATE OF INCORPORATION
OF
BIG 5 SPORTING GOODS CORPORATION
a Delaware corporation

Pursuant to Section 242 of the
General Corporation Law of the State of Delaware

BIG 5 SPORTING GOODS CORPORATION, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify as follows:

FIRST: That the date of filing of the Corporation's original Certificate of Incorporation with the Office of the Secretary of State of the State of Delaware was October 31, 1997, and that the Corporation filed a 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 (the "Series A Preferred Stock Certificate of Designations") with the Office of the Secretary of State of the State of Delaware on November 13, 1997.

SECOND: That the Board of Directors of the Corporation has adopted resolutions proposing and declaring advisable the following amendment to the Certificate of Designations of the Corporation:

"NOW, THEREFORE, BE IT RESOLVED, that clause (e) (Redemption) of Section 1 of the Series A Preferred Stock Certificate of Designations be amended and restated in its entirety as follows:

(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 the redemption price set forth below, following any underwritten public offering (a "Public Offering") of its Common Stock.

For purposes of this Section (e)(i)(B), the redemption price shall be (i) a non-transferable, interest-free note in such form and with such terms as are determined by the Board of Directors of the Company (an "Additional Payment Note") evidencing the right to receive the Additional Payment (as defined in Section (e)(I)(D)) and (ii) an amount in cash (the "Contingent Redemption Price") equal to the sum of (I) the Public Offering Redemption Percentage (as defined below) multiplied by the then liquidation preference (both permanent and conditional as then in effect), plus, without duplication, (II) 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 "Public Offering Redemption Percentage" shall be 110% less (II) the number (computed to three decimal places) calculated as follows and expressed as a percentage: (x) the product of (A) the underwriters' discount (the "Underwriters' Discount") in connection with the Public Offering (expressed as a percentage) multiplied by (B) the price per share of Common Stock (before underwriting commissions and discounts) in the Public Offering multiplied by (C) the sum of (i) the

maximum number of shares of Common Stock to be sold by selling stockholders in the Public Offering and (ii) the maximum number of shares of Common Stock to be repurchased by the Company from its employee-stockholders with a portion of the proceeds of the Public Offering as described in the prospectus relating to the Public Offering, in each case assuming exercise in full of the underwriters' "green shoe" option (such aggregate number of shares, the "Maximum Number"); and then dividing such product by (y) the aggregate liquidation preference of all outstanding shares of Series A Preferred Stock immediately prior to redemption.

(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 20 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 as of the date such notice is given 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, and, if applicable, the delivery of the Additional Payment Note, 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, and, if applicable, the Additional Payment Notes for such shares shall be deliverable, 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 payable at the Redemption Date 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 payable at the Redemption Date, and (iii) if applicable, the Company delivers or has prepared for irrevocable delivery (whether before or on the Redemption Date) the Additional Payment Notes, 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, and, if applicable, the Additional Payment Note, as the case may be, without interest.

(D) In the event that the total number of shares of Common Stock actually sold by selling stockholders in the Public Offering and repurchased by the Company from its employee-stockholders with a portion of the proceeds of the Public Offering (the "Actual Number") is less than the

Maximum Number, then the Additional Payment shall be calculated by multiplying the liquidation preference of a share of Series A Preferred Stock as in effect immediately prior to redemption by a percentage calculated as follows: (x) the product of (A) the Underwriters' Discount multiplied by (B) the price per share of Common Stock (before underwriting commissions and discounts) in the Public Offering multiplied by (C) the amount calculated by subtracting the Actual Number from the Maximum Number; and then dividing such product by (y) the aggregate liquidation preference of all shares of Series A Preferred Stock outstanding immediately prior to the Redemption Date; provided that if the Actual Number equals the Maximum Number or if the Additional Payment would be less than $0.50, then the Additional Payment shall be $0.00. The Additional Payment Notes shall provide that the Additional Payment, if any, shall be payable in cash promptly (and in any event within 10 business days) after the Company finally determines the Actual Number to the Person whose name appears on a certificate or certificates for the Series A Preferred Stock as the owner thereof prior to redemption."

THIRD: That the foregoing amendment to the Corporation's Certificate of Incorporation was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware and the Corporation's Certificate of Incorporation.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be duly executed by its duly authorized officer on the 31st day of May 2002.

BIG 5 SPORTING GOODS CORPORATION,
a Delaware corporation

By: /s/ Charles P. Kirk

Charles P. Kirk
Senior Vice President and Chief Financial Officer

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

BIG 5 SPORTING GOODS CORPORATION
A DELAWARE CORPORATION

(ORIGINALLY INCORPORATED ON OCTOBER 31, 1997)

FIRST: The name of the corporation is Big 5 Sporting Goods Corporation (hereinafter referred to as the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 30 Old Rudnick Lane, in the City of Dover, County of Kent 19901. The name of the registered agent of the Corporation at that address is Lexis Document Services, Inc.

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

FOURTH: A. The total number of shares of all classes of stock which the Corporation shall have authority to issue is Fifty Three Million (53,000,000), consisting of:

1. Fifty Million (50,000,000) shares of Common Stock, par value one cent ($.01) per share (hereinafter referred to as the "Common Stock"); and

2. Three Million (3,000,000) shares of Preferred Stock, par value one cent ($.01) per share (hereinafter referred to as the "Preferred Stock"), of which Three Hundred Fifty Thousand (350,000) shares have been designated as Series A 13.45% Senior Exchangeable Preferred Stock, par value one cent ($.01) per share (hereinafter referred to as the "Series A Preferred Stock"), the powers, preferences, other special rights, and qualifications, limitations and restrictions of which were originally set forth in a 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 filed with the Delaware Secretary of State on November 13, 1997, as amended by a Certificate of Amendment filed with the Delaware Secretary of State on June 4, 2002, in the form attached hereto as Appendix "A."

Upon the filing and effectiveness of this Amended and Restated Certificate of Incorporation, each currently issued and outstanding share of Common Stock shall be subdivided and split up into eight and one-tenth (8.10) shares of Common Stock.

B. The board of directors is authorized, subject to any limitations prescribed by law, to provide for the additional issuance of shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware (such certificate being hereinafter referred to as a "Preferred Stock Designation"), 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 terms of any Preferred Stock Designation.

C. Each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation (including any Certificate of Designations relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon by law or pursuant to this Amended and Restated Certificate of Incorporation (including any Certificate of Designations relating to any series of Preferred Stock).

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by statute or by this Amended and Restated Certificate of Incorporation or the Amended and Restated Bylaws of the Corporation, as they may be amended from time to time (the "Bylaws"), the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

C. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, the Chief Executive Officer or the President or by the Board of Directors acting pursuant to a resolution adopted by a majority of the Whole Board. For purposes of this Amended and Restated Certificate of Incorporation, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

SIXTH: A. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by the board of directors pursuant to a resolution adopted by a majority of the Whole Board. The directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided, with respect to the time for which they severally hold office, into three classes consisting of Class A Directors, Class B Directors and Class C Directors. The terms of office of the Class A Directors, Class B Directors and Class C Directors will expire at the Corporation's first, second and third annual meeting of stockholders following the date hereof, respectively. Each director shall hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her successor shall have been duly elected and qualified. Directors need not be stockholders.

B. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise required by law or by resolution of the Board of Directors, be filled only by a majority vote of the directors then in office, though less than a quorum (and not by stockholders), and directors so chosen shall serve for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires or until such director's successor shall have been duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

C. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

D. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire board of directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then-out-standing shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

SEVENTH: The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation. Any adoption, amendment or repeal of the Bylaws of the Corporation by the board of directors shall require the approval of a majority of the Whole Board. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then-outstanding shares of the capital stock of the

Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws of the Corporation.

EIGHTH: 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 the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification. All references in this Article EIGHTH to a director shall also be deemed to refer to any such director acting in his or her capacity as a Continuing Director (as defined in Article TENTH).

NINTH: The Corporation reserves the right to amend or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of the Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least eighty percent (80%) the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal this Article NINTH, Sections C or D of Article FIFTH, Article SIXTH, Article SEVENTH, or Article EIGHTH.

TENTH: The Board of Directors is expressly authorized to cause the Corporation to issue rights pursuant to Section 157 of the Delaware General Corporation Law and, in that connection, to enter into any agreements necessary or convenient for such issuance. Any such agreement may include provisions limiting, in certain circumstances, the ability of the Board of Directors of the Corporation to redeem the securities issued pursuant thereto or to take other action thereunder or in connection therewith unless there is a specified number or percentage of Continuing Directors then in office. Pursuant to Section 141(a) of the Delaware General Corporation Law, the Continuing Directors shall have the power and authority to make all decisions and determinations, and exercise or perform such other acts, that any such agreement provides that such Continuing Directors shall make, exercise or perform. For purposes of this Article TENTH and any such agreement, the term, "Continuing Directors," shall mean (1) those directors who were members of the Board of Directors of the Corporation at the time the Corporation entered into such agreement and any director who subsequently becomes a member of the Board of

Directors, if such director's nomination for election to the Board of Directors is recommended or approved by the majority vote of the Continuing Directors then in office and (2) such other members of the Board of Directors, if any, designated in, or in the manner provided in, such agreement as Continuing Directors.

APPENDIX "A"

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, the 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 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:

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 the redemption price set forth below, following any underwritten public offering (a "Public Offering") of its Common Stock.

For purposes of this Section (e)(i)(B), the redemption price shall be (i) a non-transferable, interest-free note in such form and with such terms as are determined by the Board of Directors of the Company (an "Additional Payment Note") evidencing the right to receive the Additional Payment (as defined in Section (e)(I)(D)) and (ii) an amount in cash (the "Contingent Redemption Price") equal to the sum of (I) the Public Offering Redemption Percentage (as defined below) multiplied by the then liquidation preference (both permanent and conditional as then in effect), plus, without duplication, (II) 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 "Public Offering Redemption Percentage" shall be 110% less (II) the number (computed to three decimal places) calculated as follows and expressed as a percentage: (x) the product of (A) the underwriters' discount (the "Underwriters' Discount") in connection with the Public Offering (expressed as a percentage) multiplied by (B) the price per share of Common Stock (before underwriting commissions and discounts) in the Public Offering multiplied by (C) the sum of (i) the maximum number of shares of Common Stock to be sold by selling stockholders in the Public Offering and (ii) the maximum number of shares of Common Stock to be repurchased by the Company from its employee-stockholders with a portion of the proceeds of the Public Offering as described in the prospectus relating to the Public Offering, in each case assuming exercise in full of the underwriters' "green shoe" option (such aggregate number of shares, the "Maximum Number"); and then dividing such product by (y) the aggregate liquidation preference of all outstanding shares of Series A Preferred Stock immediately prior to redemption.

(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 20 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 as of the date such notice is given 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, and, if applicable, the delivery of the Additional Payment Note, 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, and, if applicable, the Additional Payment Notes for such shares shall be deliverable, 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 payable at the Redemption Date 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 payable at the Redemption Date, and (iii) if applicable, the Company delivers or has prepared for irrevocable delivery (whether before or on the Redemption Date) the Additional Payment Notes, 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, and, if applicable, the Additional Payment Note, as the case may be, without interest.

(D) In the event that the total number of shares of Common Stock actually sold by selling stockholders in the Public Offering and repurchased by the Company from its employee-stockholders with a portion of the proceeds of the Public Offering (the "Actual Number") is less than the Maximum Number, then the Additional Payment shall be calculated by multiplying the liquidation preference of a share of Series A Preferred Stock as in effect immediately prior to redemption by a percentage calculated as follows: (x) the product of (A) the Underwriters' Discount multiplied by (B) the price per share of Common Stock (before underwriting commissions and discounts) in the Public Offering multiplied by (C) the amount calculated by subtracting the Actual Number from the Maximum Number; and then dividing such product by (y) the aggregate liquidation preference of all shares of Series A Preferred Stock outstanding immediately prior to the Redemption Date; provided that if the Actual Number equals the Maximum Number or if the Additional Payment would be less than $0.50, then the Additional Payment shall be $0.00. The Additional Payment Notes shall provide that the Additional Payment, if any, shall be payable in cash promptly (and in any event within 10 business days) after the Company finally determines the Actual Number to the Person whose name appears on a certificate or certificates for the Series A Preferred Stock as the owner thereof prior to redemption.

(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.

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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

EXHIBITS

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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 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)

- ---

==========

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 3.4

....

BIG 5 SPORTING GOODS CORPORATION

AMENDED AND RESTATED BYLAWS

....

TABLE OF CONTENTS

AMENDED AND RESTATED BYLAWS

OF

BIG 5 SPORTING GOODS CORPORATION
(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 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.

(1) An annual meeting of the stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date and at such time as the Board of Directors shall each year fix, which date shall be within thirteen (13) months of the last annual meeting of stockholders.

(2) Nominations of persons for election to the Board of Directors and the proposal of business to be transacted by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice with respect to such meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of record of the Corporation who was a stockholder of record at the time of the giving of the notice provided for in the following paragraph, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this section.

(3) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of the foregoing paragraph, (1) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (2) such business must be a proper matter for stockholder action under the General Corporation Law of the State of Delaware, (3) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the

Corporation with a Solicitation Notice, as that term is defined in subclause (c)(iii) of this paragraph, such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the Corporation's voting shares reasonably believed by such stockholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice and (4) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this section. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 45 or more than 75 days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders (provided, that during the year 2003, such notice shall be delivered to the Secretary no earlier than February 15th and no later than March 15th); provided, however, that if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"), and such person's written consent to serve as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of the Corporation that are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(4) Notwithstanding anything in the second sentence of the third paragraph of this Section 2 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 55 days prior to the Anniversary, a stockholder's notice

required by this bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(5) Only persons nominated in accordance with the procedures set forth in this Section 2 shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this section. The chairman of the meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in these Amended and Restated Bylaws, as they may be amended from time to time (these "Bylaws") and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defectively proposed business or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(6) For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(7) Notwithstanding the foregoing provisions of this Section 2, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2. Nothing in this Section 2 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 3. Special Meetings.

(1) Special meetings of the stockholders, other than those required by statute, may be called at any time by the Chairman of the Board, the Chief Executive Officer or the President or by the Board of Directors acting pursuant to a resolution duly adopted by a majority of the Whole Board. For purposes of these Bylaws, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships. The Board of Directors may postpone or reschedule any previously scheduled special meeting.

(2) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) by any stockholder of record of the Corporation who is a stockholder of record at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in Section 2 of this Article II.

Nominations by stockholders of persons for election to the Board of Directors may be made at such a special meeting of stockholders if the stockholder's notice required by the third paragraph of Section 2 of this Article II shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(3) Notwithstanding the foregoing provisions of this Section 3, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 3. Nothing in this Section 3 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 4. Notice of Meetings. Notice of the place, if any, date and time of all meetings of the stockholders, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, 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 required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law) or the Amended and Restated Certificate of Incorporation of the Corporation, as it may be amended from time to time (the "Certificate of Incorporation"). The Board of Directors may postpone, reschedule or cancel any previously scheduled special meeting.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting 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, notice of the place, if any, date and time of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such 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 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. Where a separate vote by a class or classes or series is required, a majority of the outstanding shares of such class or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and the affirmative vote of the majority of shares of such class or classes or series

present in person or represented by proxy at the meeting shall be the act of such class, except as otherwise required by law, the Certificate of Incorporation or these Bylaws.

If a quorum shall fail to attend any meeting, the chairman of the meeting may adjourn the meeting to another place, if any, date or time.

Section 6. Organization. Such person as the Board of Directors may have designated or, in the absence of such a person, the Chairman of the Board or, in his or her absence, the Chief Executive Officer of the Corporation or, in his or her absence, the President of the Corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the Corporation, the secretary of the meeting shall be such person as the chairman of the meeting appoints.

Section 7. Conduct of Business. The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order. The chairman shall have the power to adjourn the meeting to another place, if any, date and time. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

Section 8. 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 or by a transmission permitted by law filed in accordance with the procedure established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used; provided, however, that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

The Corporation may, and to the extent required by law, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. Every vote taken by ballots shall be counted by a duly appointed inspector or inspectors.

Each stockholder shall have one vote for every share of stock entitled to vote which is registered in his, her or its 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 or herein, all other matters shall be determined by a majority of the votes cast affirmatively or negatively.

Section 9. 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 in the manner provided by law.

The stock list shall also be open to the examination of any stockholder during the whole time of the meeting as provided by law. 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.

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. Subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board. The directors, other than those who may be elected by the holders of any series of preferred stock under specified circumstances, shall be divided, with respect to the time for which they severally hold office, into three classes consisting of Class A Directors, Class B Directors and Class C Directors. The terms of office of the Class A Directors, Class B Directors and Class C Directors will expire at the Corporation's first, second and third annual meeting of stockholders, respectively, following adoption of these Bylaws. Each director shall hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, commencing with the next succeeding annual meeting, (i) directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her

successor shall have been duly elected and qualified, and (ii) if authorized by a resolution of a majority of the Whole Board, directors may be elected to fill any vacancy on the Board of Directors, regardless of how such vacancy shall have been created. Any director may resign at any time upon written notice to the Corporation. Directors need not be stockholders.

Section 3. Vacancies. Subject to the rights of the holders of any series of preferred stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise required by law or by resolution of the Board of Directors, be filled only by a majority vote of the directors then in office, though less than a quorum (and not by stockholders), and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires or until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors shall shorten the term of any incumbent director.

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. Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer, the President or by a majority of the Whole Board and shall be held at such place, on such date and at such time as they or he or she shall fix. Notice of the place, date and time of the special meeting shall be given to each director by whom it is not waived either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, facsimile, telegram or electronic transmission on not less than 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 VII of these Bylaws. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

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 Whole Board 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 or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of

Directors or such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

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. 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, which may be paid in cash, property, securities of the Corporation or other consideration. 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 or other compensation 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.

ARTICLE IV

COMMITTEES

Section 1. Committees of the Board of Directors. The Board of Directors may from time to time, by a resolution duly adopted by a majority of the Whole Board designate committees of the Board of Directors, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board of Directors and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 2. Conduct of Business. Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; a majority of the members shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of such committee. Such filing

shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

ARTICLE V

OFFICERS

Section 1. General. The officers of the Corporation shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Secretary and a Treasurer. The Board of Directors may also appoint one (1) or more vice presidents and one (1) or more assistant secretaries 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. The salaries of officers elected by the Board of Directors shall be fixed from time to time by the Board of Directors or by such officers as may be designated by resolution of the Board of Directors.

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, a President, one or more Vice Presidents, a Secretary and 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 remove any officer, with or without cause, by the affirmative vote of a majority of the Whole Board.

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. Subject to the provisions of these Bylaws and to the direction of the Board of Directors, he or she shall have the responsibility for the general management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of chief executive or which are delegated to him or her by the Board of Directors. He or she shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation.

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 perform all duties and have all powers which are commonly incident to the office of the President or the chief operating officer and 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. Subject to the direction of the

Board of Directors and the Chairman of the Board, the President shall have the power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision of all of the other officers (other than the Chairman of the Board or any Vice Chairman), employees and agents of the Corporation. In the absence of the Chairman of the Board or in the event of his inability or refusal to act, or if the Board of Directors has not designated a Chairman of the Board, 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 issue all authorized notices for, and shall keep minutes of, all meetings of the stockholders and the Board of Directors. He or she shall have charge of the corporate books and shall perform such other duties as the Board of Directors may from time to time prescribe.

Section 7. Chief Financial Officer. The Chief Financial Officer shall be the Treasurer of the Corporation and shall have the responsibility for maintaining the financial records of the Corporation. He or she shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions and of the financial condition of the Corporation. The Chief Financial Officer shall also perform such other duties as the Board of Directors may from time to time prescribe.

Section 8. 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 officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE VI

STOCK

Section 1. Certificates of Stock. Every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of, the Corporation by (i) the Chairman of the Board or the Vice Chairman of the Board, or the President or a Vice President, and (ii) the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, certifying the number of shares owned by such holder in the Corporation.

Section 2. Signatures. Any or all of 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. Transfers. Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 7 of Article VI of these Bylaws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate shall be issued.

Section 4. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders 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, except as otherwise required by law, fix, in advance, a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date 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; provided, however, that if no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at any meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders 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 any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto. 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 5. 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 6. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities of any other entity owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chairman of the Board, the Chief Executive Officer, the 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.

Section 7. Lost, Stolen or Destroyed Certificates. In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 8. Regulations. The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VII

NOTICES

Section 1. Notices to Stockholders. If mailed, notice to stockholders shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in Section 232 of the Delaware General Corporation Law.

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 of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to such notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such person. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the sole purpose of objecting to the timeliness of notice.

ARTICLE VIII

GENERAL PROVISIONS

Section 1. Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

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.

Section 4. Reliance Upon Books, Reports and Records. Each director, each member of any committee designated by the Board of Directors and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 5. Fiscal Year. The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 6. Time Periods. In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded and the day of the event shall be included.

ARTICLE IX

DIRECTORS' LIABILITY AND INDEMNIFICATION

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer or trustee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer or trustee or in any other capacity while serving as a director, officer or trustee, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section 3 of this Article IX with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Section 2. Right to Advancement of Expenses. In addition to the right to indemnification conferred in Section 1 of this Article IX, an indemnitee shall also have the right to be paid by the Corporation the expenses (including attorneys' fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 2 or otherwise.

Section 3. Right of Indemnitee to Bring Suit. If a claim under Section 1 or 2 of this Article IX is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article IX or otherwise shall be on the Corporation.

Section 4. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article IX shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's

Certificate of Incorporation, Bylaws, agreement, vote of stockholders or 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 maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation 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 amounts 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 and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article IX with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Section 7. Nature of Rights. The rights conferred upon indemnitees in this Article IX shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer or trustee and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article IX that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

ARTICLE X

AMENDMENTS

In furtherance and not in limitation of the powers conferred by law, the Board of Directors, with the approval of the majority of the Whole Board, is expressly authorized to adopt, amend and repeal these Bylaws subject to the power of the holders of capital stock of the Corporation to adopt, amend or repeal the Bylaws; provided, however, that, with respect to the power of holders of capital stock to adopt, amend and repeal Bylaws of the Corporation, notwithstanding any other provision of these Bylaws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law, these Bylaws or any preferred stock, the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then-outstanding shares

entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of these Bylaws.

THIS IS TO CERTIFY:

That I am the duly elected, qualified and acting Secretary of Big 5 Sporting Goods Corporation and that the foregoing Bylaws were adopted as the Bylaws of said corporation as of the _____ day of _____, 2002, by the Board of Directors of said corporation and as to Article III, Section 2, by the holders of at least a majority of the Common Stock, $.01 par value, as of the _____ day of _____, 2002.

Dated as of _____, 2002.

Gary S. Meade, Secretary

EXHIBIT 5.1

[IRELL & MANELLA LLP LETTERHEAD]

June 4, 2002

Big 5 Sporting Goods Corporation
2525 E. El Segundo Boulevard
El Segundo, CA 90245

Re: Registration Statement 333-68094; up to 7,700,000 shares of common stock, par value $0.01 per share

Ladies and Gentlemen:

We have acted as counsel to Big 5 Sporting Goods Corporation, a Delaware corporation (the "Company"), in connection with the proposed issuance and sale by the Company of up to 6,113,343 shares of the Company's Common Stock (the "Company Shares") and the sale by certain Selling Stockholders of up to 1,586,657 shares of the Company's Common Stock (the "Selling Stockholder Shares") pursuant to the Company's Registration Statement on Form S-1 (the "Registration Statement") filed with the Securities and Exchange Commission (the "Commission") on August 21, 2001 (File No. 333-68094), as amended by Amendment No. 1 filed with the Commission on March 17, 2002 and Amendment No. 2 filed with the Commission on June 4, 2002 (collectively, the "Registration Statement") under the Securities Act of 1933, as amended (the "Act").

This opinion is being furnished in accordance with the requirements of Item 16(a) of Form S-1 and Item 601(b)(5)(i) of Regulation S-K.

In our capacity as counsel to the Company in connection with such registration, we are familiar with the proceedings taken by the Company in connection with the authorization, issuance and sale of the Company Shares and the sale of the Selling Stockholder Shares. In addition, we have made such legal and factual examinations and inquiries, including an examination of originals or copies certified or otherwise identified to our satisfaction of such documents, corporate records and instruments, as we have deemed necessary or appropriate for purposes of this opinion.

In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity to authentic original documents of all documents submitted to us as copies.

We are opining herein as to the effect on the subject transaction only of the General Corporation Law of the State of Delaware, and we express no opinion with respect to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction or, in the case of Delaware, any other laws, or as to any matters of municipal law or the laws of any local agencies within any state.

Based on and subject to the foregoing, it is our opinion that (i) the Company Shares and Selling Stockholder Shares have been duly authorized and (ii) the Company Shares, upon issuance, delivery and payment therefor in the manner contemplated by the Registration Statement (as amended and supplemented through the date of issuance), will be validly issued, fully paid and nonassessable.

We consent to your filing this opinion as an exhibit to the Registration Statement and to the reference to our firm contained under the heading "Legal Matters." In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act, the rules and regulations of the Commission promulgated thereunder, or Item 509 of Regulation S-K.

This opinion letter is rendered as of the date first written above and we disclaim any obligation to advise you of facts, circumstances, events or developments which hereafter may be brought to our attention and which may alter, affect or modify the opinion expressed herein. Our opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company, the Company Shares or the Selling Stockholder Shares.

Very truly yours,

/s/ Irell & Manella LLP

IRELL & MANELLA LLP

EXHIBIT 10.1

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

DATED AS OF JUNE __, 2002

By and Among

GREEN EQUITY INVESTORS, L.P.,

ROBERT W. MILLER,

STEVEN G. MILLER,

and

BIG 5 SPORTING GOODS CORPORATION

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

This AMENDED AND RESTATED STOCKHOLDERS AGREEMENT (this "Agreement") is entered into as of June __, 2002, by and among Green Equity Investors, L.P., a Delaware limited partnership ("GEI"), Robert W. Miller ("RW Miller"), Steven G. Miller ("SG Miller" and together with RW Miller, the "Millers") and Big 5 Sporting Goods Corporation (formerly known as Big 5 Holdings Corp.), a Delaware corporation (the "Corporation"), with respect to the following facts and circumstances:

A. The Corporation, GEI and the Millers are parties to that certain Stockholders Agreement dated as of November 13, 1997 (the "Prior Agreement") and GEI and the Company (or predecessors thereto) are parties to various agreements relating to registration of the Company's securities (collectively, the "Registration Rights Agreements").

B. The Corporation currently contemplates consummating an initial public offering (the "IPO") of shares of its common stock, par value $0.01 per share (the "Common Stock").

C. The Corporation, GEI and the Millers desire to amend and restate the Prior Agreement and to clarify the application of the Registration Rights Agreements effective upon the consummation of the IPO.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1
Definitions

1.1 Definitions. In addition to certain terms that are defined elsewhere herein, as used in this Agreement, the following definitions shall apply:

1.1.1 "Affiliate" means, with respect to any Person, any other Person (other than the Corporation) directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with any such Person and, when used with reference to any natural Person, shall also include such Person's spouse and dependent children sharing the same household and trusts for the benefit of any of the foregoing Persons. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities of a Person, by contract or otherwise. The term Affiliate shall not be understood to apply to any of the limited partners of GEI solely as the result of their status as such.

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

1.1.3 "Person" means an association, a corporation, an individual, a partnership, a limited liability company or limited liability partnership, a trust or any other entity, association or organization.

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

ARTICLE 2
Board Representation and Voting Agreement

2.1 Board of Directors.

2.1.1 Board Composition. So long as GEI beneficially owns at least 5% of the outstanding shares of Common Stock, GEI shall be entitled to designate one (1) member for nomination to the Board of Directors of the Corporation. The member of the Board of Directors of the Corporation designated by GEI is referred to herein as the "GEI Nominee." The Board of Directors of the Corporation will nominate the GEI Nominee for election to such Board of Directors as part of the slate of directors nominated and recommended for election to the Board of Directors. If the Board of Directors of the Corporation raises a reasonable objection with GEI as to a particular nominee, GEI will be permitted to name another nominee as to which there is not a reasonable objection. The Millers shall, and shall cause all Affiliates over whom they have control to, and shall use their best efforts to cause any of their Affiliates whom they do not control to, vote any and all shares of Common Stock beneficially owned by them for the GEI Nominee.

2.1.2 Vacancies; Action by Board of Directors. If a vacancy is created on the Board of Directors of the Corporation by reason of the death, disability, removal or resignation of the GEI Nominee, GEI, by written notice to the Corporation, shall be entitled to designate a new GEI Nominee to fill such vacancy, and the Corporation shall cause the remaining directors to meet within ten (10) business days after receipt of such notice for the purpose of electing the designated new nominee to fill such vacancy, subject to the provisions of Section 2.1.1 as to reasonable objections. If GEI fails to designate a representative to fill a directorship pursuant to the terms of this Article 2 within thirty (30) days of such date that the GEI Nominee ceased to so serve, the election of a person to such directorship shall be accomplished in accordance with the Corporation's Certificate of Incorporation, Bylaws and applicable law; provided that GEI will again have the ability to nominate a GEI Nominee as provided in Section 2.1.1 at the time other Directors are next nominated for election by the Corporation's stockholders.

2.2 Voting of Shares; Representation at Meetings. During the term of this Agreement, GEI shall vote and cause to be voted all shares of Common Stock beneficially owned by GEI and Affiliates it controls and shall use its best efforts to cause Affiliates it does not control to so vote, for SG Miller and RW Miller at each meeting of the stockholders of the Company at which either or both of them are nominees to the Board of Directors of the Corporation. GEI shall cause all shares of Common Stock beneficially owned by GEI and Affiliates it controls, and shall use its best efforts to cause Affiliates it does not control, to be represented, in person or by proxy, at all meetings of holders of

shares of Common Stock, so that such shares may be counted for the purpose of determining the presence of a quorum at such meetings.

ARTICLE 3
Transfer Restrictions

3.1 Sale or Transfer of Shares. During the term of this Agreement, GEI will not, and will not permit Affiliates it controls and shall use its best efforts to cause Affiliates it does not control to, directly or indirectly, sell, pledge, encumber or otherwise transfer, or agree to sell, pledge, encumber or otherwise transfer, any shares of Common Stock, except in accordance with the Securities Act (including Rule 144 and any other applicable exemption, or pursuant to the registration thereof).

3.2 Registration Rights. GEI, the Millers and the Corporation agree that the provisions of this Agreement incorporate by reference specified provisions and otherwise supersede the Registration Rights Agreements. From and after the effective date of this Agreement, GEI shall have the registration rights set forth in Section 4 of that certain Stock Subscription Agreement dated as of September 25, 1992 between GEI and Big 5 Corporation (the "1992 Agreement"); provided that Holders (as defined in the 1992 Agreement) with 8% or more of the outstanding Common Stock will be entitled to request such registration and such request must cover 8% or more of the outstanding Common Stock. The registration provided for in Section 4(a) of the 1992 Agreement will not be considered to have been effected, however, if any Holder shall have been prevented from including at least 50% of the Common Stock such Holder requests to have included in the requested registration. The remaining provisions of Section 4 shall continue to apply, provided that the Holders may request that each registration pursuant to Section 4(a) remain effective for no less than 180 days.

ARTICLE 4
Representations and Warranties

4.1 Representations and Warranties of the Corporation.

The Corporation represents and warrants to GEI and the Millers as follows:

4.1.1 Organization. It is a corporation duly organized and validly existing under the laws of the State of Delaware.

4.1.2 Authority. It has full corporate power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

4.1.3 Binding Obligation. The execution, delivery and performance of this Agreement by it and the consummation by it of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on its part, and, assuming the due authorization, execution and delivery of this Agreement by each of the other parties hereto, this Agreement constitutes its binding obligation, enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency,

reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors' rights generally.

4.1.4 No Conflict. The execution, delivery and performance of this Agreement by it and the consummation by it of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time or both, (i) violate any provision of law, statute, rule or regulation to which it is subject, (ii) violate any order, judgment or decree applicable to it, or (iii) conflict with, or result in a breach or default under, any term or condition of its Certificate of Incorporation or Bylaws or any material agreement or other material instrument to which it is a party or by which it or its property is bound or affected.

4.2 Representations and Warranties of GEI. GEI represents and warrants to the Millers and to the Corporation as follows:

4.2.1 Organization. It is a limited partnership duly organized and validly existing under the laws of its state of organization.

4.2.2 Authority. It has full limited partnership power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

4.2.3 Binding Obligation. The execution, delivery and performance of this Agreement by it and the consummation by it of the transactions contemplated hereby have been duly and validly authorized by all necessary action on its part, and, assuming the due authorization, execution and delivery of this Agreement by each of the other parties hereto, this Agreement constitutes its binding obligation, enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors' rights generally.

4.2.4 No Conflict. The execution, delivery and performance of this Agreement by it and the consummation by it of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time or both, (i) violate any provision of law, statute, rule or regulation to which it is subject, (ii) violate any order, judgment or decree applicable to it, or (iii) conflict with, or result in a breach or default under, any term or condition of its limited partnership agreement or equivalent governing documents or any material agreement or other material instrument to which it is a party or by which it or its property is bound or affected.

4.3 Representations and Warranties of the Millers. Each of the Millers, severally and not jointly, represents and warrants to GEI and to the Corporation as follows:

4.3.1 Authority. He has full power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

4.3.2 Binding Obligation. Assuming the due authorization, execution and delivery of this Agreement by each of the other parties hereto, this Agreement constitutes his binding obligation, enforceable against him in accordance with its terms,

except as may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors' rights generally.

4.3.3 No Conflict. The execution, delivery and performance of this Agreement by him and the consummation by him of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time or both, (i) violate any provision of law, statute, rule or regulation to which he is subject, (ii) violate any order, judgment or decree applicable to him, or (iii) conflict with, or result in a breach or default under, any term or condition of any material agreement or other material instrument to which he is a party or by which he or his property is bound or affected.

ARTICLE 5
Miscellaneous

5.1 Effective Date. This Agreement shall be effective upon the consummation of the IPO. If the IPO has not been consummated as of August 31, 2002, this Agreement shall terminate and be of no further force and effect. The Prior Agreement and the Registration Rights Agreements shall remain in full force and effect until this Agreement becomes effective.

5.2 Termination. This Agreement shall terminate on, and be of no further force and effect after, the date that GEI and its Affiliates beneficially own less than five percent (5%) of the outstanding Common Stock.

5.3 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given upon receipt if delivered personally or sent by facsimile transmission (receipt of which is confirmed) or by courier service promising overnight delivery (with delivery confirmed the next day) or three (3) business days after sent by registered or certified mail (postage prepaid, return receipt requested). Notices shall be addressed as follows:

To the Corporation:	Big 5 Sporting Goods Corporation 2525 East El Segundo Boulevard El Segundo, California 90245 Attention: Gary Meade, General Counsel Facsimile: (310) 297-7592
With a copy to:	Irell & Manella LLP 1800 Avenue of the Stars, Suite 900 Los Angeles, California 90067 Attention: Andrew W. Gross, Esq. Facsimile: (310) 277-1010
To GEI:	Green Equity Investors, L.P. c/o Leonard Green & Partners, L.P. 11111 Santa Monica Boulevard Suite 2000 Los Angeles, California 90025

Attention: Jonathan Sokoloff
Facsimile: (310) 954-0404

To the Millers: Robert W. Miller
Steven G. Miller
c/o Big 5 Sporting Goods Corporation
2525 East El Segundo Boulevard
El Segundo, California 90245
Facsimile: (310) 297-7595

Any party may from time to time change its address for the purpose of notices by a similar notice specifying the new address but no such change shall be effective as against any Person until such Person shall have actually received it.

5.4 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof (without requirement to post bond), in addition to any and all other remedies at law or in equity.

5.5 Amendment; Waiver. Except as provided in Section 5.10, this Agreement may be amended, modified, supplemented or terminated only by a written instrument signed by the Corporation, GEI and the Millers. No provision of this Agreement may be waived orally, but only by a written instrument signed by the party against whom enforcement of such waiver is sought. No alteration, modification or impairment shall be implied by reason of any previous waiver, extension of time, delay or omission in exercise, or other indulgence.

5.6 Further Assurances. Each party hereto agrees to execute any and all further documents and writings and to perform such other actions which may be or become necessary or expedient to effectuate and carry out this Agreement. GEI and each of the Millers will, and will cause its or his Affiliates it or he controls, to provide the Corporation, with the stock certificates representing its or his or its or his Affiliates shares of Common Stock so that such certificates may be imprinted with an appropriate legend with regard to the terms and existence of this Agreement.

5.7 No Third-Party Benefits. None of the provisions of this Agreement shall be for the benefit of, or enforceable by, any third-party beneficiary.

5.8 Interpretation. For all purposes of this Agreement, except as otherwise expressly provided, all terms defined herein include the plural as well as the singular and the words "include," "includes" and "including" shall be deemed in each case to be followed by the words "without limitation."

5.9 Assignability. Except as provided herein, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns. The right to designate a member of the Board

of Directors of the Corporation set forth in Section 2.1 hereunder may not be assigned or transferred.

5.10 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable by any court of competent jurisdiction or as a result of future legislative action, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

5.11 Entire Agreement. This Agreement contains the final and entire agreement among the parties with respect to the matters contemplated hereby and supersedes all written or verbal representations, warranties, commitments and other understandings prior to the date hereof, except, with respect to the Registration Rights Agreements, as expressly herein incorporated. No reference shall be made to any draft of this Agreement for purposes of interpretation or resolution of ambiguity or otherwise.

5.12 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to principles of conflicts of law.

5.13 Attorneys' Fees. In any suit or proceeding arising out of this Agreement to interpret or enforce any provision of this Agreement, the prevailing party shall be entitled to all reasonable out-of-pocket expenses and reasonable attorneys' fees incurred by such party in connection with such suit or proceeding.

5.14 Captions. The descriptive headings herein are inserted for convenience only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

5.15 Information Regarding Beneficial Ownership. GEI and each of the Millers agrees to promptly provide to the Corporation any information or representations that the Corporation may request regarding its or his and its or his Affiliates' beneficial ownership of Common Stock.

5.16 Counterparts. This Agreement 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.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first set forth above.

GREEN EQUITY INVESTORS L.P.,
a Delaware limited partnership

By: Leonard Green & Associates
General Partner

By:

General Partner

Robert W. Miller

Steven G. Miller

BIG 5 SPORTING GOODS CORPORATION,
a Delaware corporation

By:

Name:
Title:

BIG 5 SPORTING GOODS CORPORATION

2002 STOCK INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are:

(a) to attract and retain the best available personnel for positions of substantial responsibility,

(b) to provide additional incentive to selected key Employees, Consultants and Directors, and

(c) to promote the success of the Company's business.

2. Definitions. For the purposes of this Plan, the following terms will have the following meanings:

(a) "ADMINISTRATOR" means the Board or any of its Committees that administer the Plan, in accordance with Section 4.

(b) "APPLICABLE LAWS" means the legal requirements relating to the administration of and issuance of securities under stock incentive plans, including, without limitation, the requirements of state corporations law, federal and state securities law, federal and state tax law, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted. For all purposes of this Plan, references to statutes and regulations shall be deemed to include any successor statutes and regulations, to the extent reasonably appropriate as determined by the Administrator.

(c) "BOARD" means the Board of Directors of the Company.

(d) "CAUSE" shall have the meaning set forth in an Optionee's employment or consulting agreement with the Company (if any), or if not defined therein, shall mean (i) acts or omissions by the Optionee which constitute intentional material misconduct or a knowing violation of a material policy of the Company or any of its subsidiaries, (ii) the Optionee personally receiving a benefit in money, property or services from the Company or any of its subsidiaries or from another person dealing with the Company or any of its subsidiaries, in material violation of applicable law or Company policy, (iii) an act of fraud, conversion, misappropriation, or embezzlement by the Optionee or his conviction of, or entering a guilty plea or plea of no contest with respect to, a felony, or the equivalent thereof (other than DUI), or (iv) any material misuse or improper disclosure of confidential or proprietary information of the Company.

(e) "CODE" means the Internal Revenue Code of 1986, as amended. For all purposes of this Plan, references to Code sections shall be deemed to include any successor Code sections, to the extent reasonably appropriate as determined by the Administrator.

(f) "COMMITTEE" means a Committee appointed by the Board in accordance with Section 4.

(g) "COMMON STOCK" means the common stock, $0.01 par value per share, of the Company.

(h) "COMPANY" means Big 5 Sporting Goods Corporation, a Delaware corporation.

(i) "CONSULTANT" means any natural person, including an advisor, engaged by the Company or a Parent or Subsidiary to render bona fide services and who is compensated for such services; provided, however, that the term "Consultant" does not include (i) Employees or (ii) Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors. Notwithstanding the foregoing, "Consultant" shall not include an individual who provides services in connection with the offer and sale of securities in a capital-raising transaction or services that directly or indirectly promote or maintain a market for the Company's securities.

(j) "CONTINUOUS STATUS AS AN EMPLOYEE, DIRECTOR OR CONSULTANT" means that the employment, director or consulting relationship is not interrupted or terminated by the Company, any Parent or Subsidiary, or by the Employee, Director or Consultant. Continuous Status as an Employee, Director or Consultant will not be considered interrupted in the case of: (i) any leave of absence approved by the Board, including sick leave, military leave, or any other personal leave, provided, however, that for purposes of Incentive Stock Options, any such leave may not exceed 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract (including certain Company policies) or statute; or (ii) transfers between locations of the Company or between the Company, its Parent, its Subsidiaries or its successor.

(k) "DIRECTOR" means a member of the Board.

(l) "DISABILITY" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(m) "EMPLOYEE" means any person, including Officers and Directors employed as a common law employee by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient, in and of itself, to constitute "employment" by the Company.

(n) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(o) "FAIR MARKET VALUE" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation, NASDAQ's National Market, the Fair Market Value of a Share of Common Stock will be the closing sales price for such stock (or the closing bid, if no sales are reported) as quoted on that system or exchange (or the system or exchange with the greatest volume of trading in Common Stock) on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or any other source the Administrator considers reliable.

(ii) If the Common Stock is quoted on the NASDAQ system (but not on NASDAQ's National Market) or is regularly quoted by recognized securities dealers but selling prices are not reported, the Fair Market Value of a Share of Common Stock will be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or any other source the Administrator considers reliable.

(iii) If the Common Stock is not traded as set forth above, the Fair Market Value will be determined in good faith by the Administrator with reference to the earnings history, book value and prospects of the Company in light of market conditions generally, and any other factors the Administrator considers appropriate, such determination by the Administrator to be final, conclusive and binding.

(p) "FAMILY MEMBER" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Optionee's household (other than a tenant or employee), a trust in which these persons (or the Optionee) control the management of assets, and any other entity in which these persons (or the Optionee) own more than fifty percent of the voting interests.

(q) "GRANT NOTICE" shall mean a written notice evidencing certain terms and conditions of an individual Option grant. The Grant Notice is part of the Option Agreement.

(r) "INCENTIVE STOCK OPTION" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(s) "NASDAQ" means the Nasdaq Stock Market.

(t) "NONQUALIFIED STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option.

(u) "OFFICER" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(v) "OPTION" means a stock option granted under this Plan.

(w) "OPTION AGREEMENT" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. Each Option Agreement is subject to the terms and conditions of this Plan.

(x) "OPTION EXCHANGE PROGRAM" means a program in which outstanding Options are surrendered in exchange for Options with a lower exercise price.

(y) "OPTIONED STOCK" means the Common Stock subject to an Option.

(z) "OPTIONEE" means an Employee, Consultant or Director who holds an outstanding Option.

(aa) "PARENT" means a "parent corporation" with respect to the Company, whether now or later existing, as defined in Section 424(e) of the Code.

(bb) "PLAN" means this 2002 Stock Incentive Plan.

(cc) "SECTION" means, except as otherwise specified, a section of this Plan.

(dd) "SHARE" means a share of the Common Stock, as adjusted in accordance with Section 14.

(ee) "SUBSIDIARY" means a "subsidiary corporation" with respect to the Company, whether now or later existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares which may be issued under the Plan will initially be 3,645,000 Shares of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the Shares that were not purchased which were subject thereto will become available for future grant under the Plan (unless the Plan has terminated). If the Company reacquires Shares which were issued pursuant to the exercise of an Option, however, those reacquired Shares will not be available for future grant under the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Composition of the Administrator. The Plan will be administered by (A) the Board, or (B) a Committee designated by the Board, which Committee will be constituted to satisfy Applicable Laws. Once appointed, a Committee will serve in its designated capacity until otherwise directed by the Board. The Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan. Notwithstanding the foregoing, unless the Board expressly resolves to the contrary, from and after such time as the Company is registered pursuant to Section 12 of the Exchange Act, the Plan will be administered only by a Committee, which will then consist solely of persons who are both "non-employee directors" within the meaning of Rule 16b-3 promulgated under the Exchange Act and "outside directors" within the meaning of Section 162(m) of the Code; provided, however, the failure of the Committee to be composed solely of individuals who

are both "non-employee directors" and "outside directors" shall not render ineffective or void any awards or grants made by, or other actions taken by, such Committee.

(ii) Multiple Administrative Bodies. The Plan may be administered by different bodies with respect to Directors, Officers who are not Directors, and Employees and Consultants who are neither Directors nor Officers.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to that Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(o);

(ii) to select the Consultants, Employees or Directors to whom Options may be granted;

(iii) to determine whether and to what extent Options are granted, and whether Options are intended as Incentive Stock Options or Nonqualified Stock Options;

(iv) to determine the number of Shares to be covered by each Option granted;

(v) to approve forms of Grant Notices, Option Agreements and other documents under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of this Plan, of any grant of Options, including, but not limited to, (A) the Options' exercise price, (B) the time or times when Options may be exercised, which may be based on performance criteria or other reasonable conditions such as Continuous Status as an Employee, Director or Consultant, (C) any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or Optioned Stock, based in each case on factors that the Administrator determines in its sole discretion, including but not limited to a requirement subjecting the Optioned Stock to (i) certain restrictions on transfer (including without limitation a prohibition on transfer for a specified period of time and/or a right of first refusal in favor of the Company), and (ii) a right of repurchase in favor of the Company upon termination of the Optionee's Continuous Status as an Employee, Director or Consultant;

(vii) to determine whether, to what extent and under what circumstances Common Stock and other amounts payable with respect to a grant of Options under this Plan will be deferred either automatically or at the

election of the participant (including providing for and determining the amount, if any, of any deemed earnings on any deferred amount during any deferral period);

(viii) to reduce the exercise price of any Option to the Fair Market Value at the time of the reduction, if the Fair Market Value of the Common Stock covered by that Option has declined since the date it was granted;

(ix) to construe and interpret the terms of this Plan;

(x) to prescribe, amend, and rescind rules and regulations relating to the administration of this Plan;

(xi) to modify or amend each Option, subject to Section 16(c);

(xii) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator;

(xiii) to institute an Option Exchange Program;

(xiv) to accelerate the vesting or exercisability of an Option;

(xv) to determine the terms and restrictions applicable to Options; and

(xvi) to make all other determinations it considers necessary or advisable for administering this Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all holders of Options.

5. Eligibility. Options granted under this Plan may be Incentive Stock Options or Nonqualified Stock Options, as determined by the Administrator at the time of grant. Nonqualified Stock Options may be granted to Employees, Consultants and Directors. Incentive Stock Options may be granted only to Employees. If otherwise eligible, an Employee, Consultant or Director who has been granted an Option may be granted additional Options.

6. Limitations on Grants of Incentive Stock Options. Each Option will be designated in the Grant Notice as either an Incentive Stock Option or a Nonqualified Stock Option. However, notwithstanding such designations, if the Shares subject to an Optionee's Incentive Stock Options (granted under all plans of the Company or any Parent or Subsidiary), which become exercisable for the first time during any calendar year, have a Fair Market Value in excess of $100,000, the Options accounting for this excess will be treated as Nonqualified Stock Options. For purposes of this Section 6, Incentive Stock Options will be taken into account in the order in which they were granted, and the Fair Market Value of the Shares will be determined as of the time of grant.

7. Limit on Annual Grants to Individuals. From and after such time as the Company is required to be registered pursuant to Section 12 of the Exchange Act, no Optionee may receive grants, during any fiscal year of the Company or portion thereof, of Options which, in the aggregate, cover more than 546,750 Shares, subject to adjustment as provided in Section 14. If an Option expires or terminates for any reason without having been exercised in full, the unpurchased shares subject to that expired or terminated Option will continue to count against the maximum numbers of shares for which Options may be granted to an Optionee during any fiscal year of the Company or portion thereof.

8. Term of the Plan. Subject to Section 20, this Plan will become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 20. It will continue in effect for a term of ten years unless terminated earlier under Section 16. Unless otherwise provided in this Plan, its termination will not affect the validity of any Option outstanding at the date of termination.

9. Term of Option. The term of each Option will be stated in the Option Agreement; provided, however, that in no event may the term be more than ten years from the date of grant. In addition, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent of the voting power of all classes of capital stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five years from the date of grant or any shorter term specified in the Option Agreement.

10. Option Exercise Price and Consideration.

(a) Exercise Price of Incentive Stock Options. The exercise price for Shares to be issued pursuant to exercise of an Incentive Stock Option will be determined by the Administrator; provided, however, that the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the date of grant; and provided further that in the case of an Incentive Stock Option granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent of the voting power of all classes of capital stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant.

(b) Exercise Price of Nonqualified Stock Options. In the case of a Nonqualified Stock Option, the exercise price for Shares to be issued pursuant to the exercise of any such Option will be determined by the Administrator.

(c) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions which must be satisfied before the Option may be exercised. Exercise of an Option may be conditioned upon performance criteria or other reasonable conditions such as Continuous Status as an Employee, Director or Consultant.

(d) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. Such consideration may consist partially or entirely of:

(i) cash;

(ii) a promissory note made by the Optionee in favor of the Company;

(iii) other Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which an Option will be exercised;

(iv) delivery of a properly executed exercise notice together with any other documentation as the Administrator and the Optionee's broker, if applicable, require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price; or

(v) any other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

11. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at times and under conditions determined by the Administrator and set forth in the Option Agreement; provided, however, that an Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, (ii) full payment for the Shares with respect to which the Option is exercised, and (iii) all representations, indemnifications and documents reasonably requested by the Administrator. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and this Plan. Shares issued upon exercise of an Option will be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. Subject to the provisions of Sections 13, 17, and 18, the Company will issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 14 of the Plan. Notwithstanding the foregoing, the Administrator in its discretion may require the Company to retain possession of any certificate evidencing Shares of Common Stock acquired upon exercise of an Option, if those Shares remain subject to repurchase under the provisions of the Option Agreement or any other agreement between the Company and the Optionee, or if those Shares are collateral for a loan or obligation due to the Company.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of this Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship or Directorship. If an Optionee holds exercisable Options on the date his or her Continuous Status as an Employee, Director or Consultant terminates (other than because of termination due to Cause, death or Disability), the Optionee may exercise the Options that were vested and exercisable as of the date of termination for a period of 90 days following such termination (or such other period as is set forth in the Option Agreement or determined by the Administrator). If the Optionee is not entitled to exercise his or her entire Option at the date of such termination, the Shares covered by the unexercisable portion of the Option will revert to the Plan. If the Optionee does not exercise an Option within the time specified above after termination, that Option will expire, and the Shares covered by it will revert to the Plan.

(c) Disability of Optionee. If an Optionee holds exercisable Options on the date his or her Continuous Status as an Employee, Director or Consultant terminates because of Disability, the Optionee may exercise the Options that were vested and exercisable as of the date of termination for a period of twelve months following such termination (or such other period as is set forth in the Option Agreement or determined by the Administrator). If the Optionee is not entitled to exercise his or her entire Option at the date of such termination, the Shares covered by the unexercisable portion of the Option will revert to the Plan. If the Optionee does not exercise an Option within the time specified above after termination, that Option will expire, and the Shares covered by it will revert to the Plan.

(d) Death of Optionee. If an Optionee holds exercisable Options on the date his or her death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance may exercise the Options that were vested and exercisable as of the date of death for a period of twelve months following the date of death (or such other period as is set forth in the Option Agreement or determined by the Administrator). If the Optionee is not entitled to exercise his or her entire Option at the date of death, the Shares covered by the unexercisable portion of the Option will revert to the Plan. If the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise an Option within the time specified above after termination, that Option will expire, and the Shares covered by it will revert to the Plan.

(e) Termination for Cause. If an Optionee's Continuous Status as an Employee, Director or Consultant is terminated for Cause, then all Options (including any vested Options) held by Optionee shall immediately be terminated and cancelled.

(f) Disqualifying Dispositions of Incentive Stock Options. If Common Stock acquired upon exercise of any Incentive Stock Option is disposed of in a disposition that, under Section 422 of the Code, disqualifies the holder from the application of Section 421(a) of the Code, the holder of the Common Stock immediately before the disposition will comply with any requirements imposed by the Company in order to enable the Company to secure the related income tax deduction to which it is entitled in such event.

12. Non-Transferability of Options.

(a) No Transfer. An Option 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 Optionee, only by the Optionee. Notwithstanding the foregoing, to the extent that the Administrator so authorizes at the time a Nonqualified Stock Option is granted or amended, (i) such Option may be assigned pursuant to a qualified domestic relations order as defined by the Code, and exercised by the spouse of the Optionee who obtained such Option pursuant to such qualified domestic relations order, and (ii) such Option may be assigned, in whole or in part, during the Optionee's lifetime to one or more Family Members of the Optionee. Rights under the assigned portion may be exercised by the Family Member(s) who acquire a proprietary interest in such Option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the Option immediately before such assignment and shall be set forth in such documents issued to the assignee as the Administrator deems appropriate.

(b) Designation of Beneficiary. An Optionee may file a written designation of a beneficiary who is to receive any Options that remain unexercised in the event of the Optionee's death. If a participant is married and the designated beneficiary is not the spouse, spousal consent will be required for the designation to be effective. The Optionee may change such designation of beneficiary at any time by written notice to the Administrator, subject to the above spousal consent requirement.

(c) Effect of No Designation. If an Optionee dies and there is no beneficiary validly designated and living at the time of the Optionee's death, the Company will deliver such Optionee's Options to the executor or administrator of his or her estate, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Options to the spouse or to any one or more dependents or relatives of the Optionee, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

(d) Death of Spouse or Dissolution of Marriage. If an Optionee designates his or her spouse as beneficiary, that designation will be deemed automatically revoked if the Optionee's marriage is later dissolved. Similarly, any designation of a beneficiary will be deemed automatically revoked upon the death of the beneficiary if the beneficiary predeceases the Optionee. Without limiting the generality of the preceding sentence, the interest in Options of a spouse of an Optionee who has predeceased the Optionee or (except as provided in Section 12(a) regarding qualified domestic relations orders) whose marriage has been dissolved will automatically pass to the Optionee, and will not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor will any such interest pass under the laws of intestate succession.

13. Withholding Taxes. The Company will have the right to take whatever steps the Administrator deems necessary or appropriate to comply with all applicable federal, state, local, and employment tax withholding requirements, and the Company's obligations to deliver Shares upon the exercise of an Option will be conditioned upon compliance with all such withholding tax requirements. Without limiting the generality of the foregoing, upon the exercise of an Option, the Company will have the right to withhold taxes from any other compensation or other amounts which it may owe to the Optionee, or to require the Optionee to pay to the Company the amount of any taxes which the Company may be required to withhold with respect to the Shares issued on such exercise. Without limiting the generality of the foregoing, the Administrator in its discretion may authorize the Optionee to satisfy all or part of any withholding tax liability by (a) having the Company withhold from the Shares which would otherwise be issued on the exercise of an Option that number of Shares having a Fair Market Value, as of the date the withholding tax liability arises, equal to or less than the amount of the Company's withholding tax liability, or (b) by delivering to the Company previously-owned and unencumbered Shares of the Common Stock having a Fair Market Value, as of the date the withholding tax liability arises, equal to or less than the amount of the Company's withholding tax liability.

14. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, if the outstanding shares of Common Stock are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company or a successor entity, or for other property (including without limitation, cash), through reorganization, recapitalization, reclassification, stock combination, stock dividend, stock split, reverse stock split, spin off or other similar transaction, an appropriate and proportionate adjustment will be made in the maximum number and kind of shares as to which Options may be granted under this Plan. A corresponding adjustment changing the number or kind of shares allocated to unexercised Options which have been granted prior to any such change will likewise be made. Any such adjustment in the outstanding Options will be made without change in the aggregate purchase price applicable to the unexercised portion of the Options but with a corresponding adjustment in the price for each share or other unit of any security covered by the Option. Such adjustment will be made by the Administrator, whose determination in that respect will be final, binding, and conclusive.

Where an adjustment under this Section 14(a) is made to an Incentive Stock Option, the adjustment will be made in a manner which will not be considered a "modification" under the provisions of subsection 424(h)(3) of the Code.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option had not been previously exercised, it will terminate immediately prior to the consummation of such proposed dissolution or liquidation. In such instance, the Administrator may, in the exercise of its sole discretion, declare that any Option will terminate as of a date fixed by the Administrator and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable.

(c) Corporate Transaction. Upon the happening of a merger, reorganization or sale of substantially all of the assets of the Company, the Administrator, may, in its sole discretion, do one or more of the following: (i) shorten the period during which Options are exercisable (provided they remain exercisable for at least 30 days after the date notice of such shortening is given to the Optionees); (ii) accelerate any vesting schedule to which an Option is subject; (iii) arrange to have the surviving or successor entity or any parent entity thereof assume the Options or grant replacement options with appropriate adjustments in the option prices and adjustments in the number and kind of securities issuable upon exercise or adjustments so that the Options or their replacements represent the right to purchase the shares of stock, securities or other property (including cash) as may be issuable or payable as a result of such transaction with respect to or in exchange for the number of Shares of Common Stock purchasable and receivable upon exercise of the Options had such exercise occurred in full prior to such transaction; or (iv) cancel Options upon payment to the Optionees in cash, with respect to each Option to the extent then exercisable (including, if applicable, any Options as to which the vesting schedule has been accelerated as contemplated in clause (ii) above), of an amount that is the equivalent of the excess of the Fair Market Value of the Common Stock (at the effective time of the merger, reorganization, sale or other event) over the exercise price of the Option. The Administrator may also provide for one or more of the foregoing alternatives in any particular Option Agreement.

15. Date of Grant. The date of grant of an Option will be, for all purposes, the date as of which the Administrator makes the determination granting such Option, or any other, later date determined by the Administrator and specified in the Option Agreement. Notice of the determination will be provided to each Optionee within a reasonable time after the date of grant.

16. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter or suspend or terminate the Plan.

(b) Shareholder Approval. The Company will obtain shareholder approval of any Plan amendment that increases the number of Shares for which Options may be granted, or to the extent necessary and desirable to comply with Section 422 of the Code (or any successor statute) or other Applicable Laws, or the requirements of any exchange or quotation system on which the Common Stock is listed or quoted. Such shareholder approval, if required, will be obtained in such a manner and to such a degree as is required by the Applicable Law or requirement.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will impair the rights of a Optionee, unless mutually agreed otherwise between the Optionee and the Administrator. Any such agreement must be in writing and signed by the Optionee and the Company.

17. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares will

comply with all Applicable Laws, and will be further subject to the approval of counsel for the Company with respect to such compliance. Any securities delivered under the Plan will be subject to such restrictions, and the person acquiring such securities will, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all Applicable Laws. To the extent permitted by Applicable Laws, the Plan and Options granted hereunder will be deemed amended to the extent necessary to conform to such laws, rules and regulations.

(b) Investment Representation. As a condition to the exercise of an Option , the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being acquired only for investment and without any present intention to sell, transfer, or distribute such Shares.

18. Liability of Company.

(a) Inability to Obtain Authority. If the Company cannot, by the exercise of commercially reasonable efforts, obtain authority from any regulatory body having jurisdiction for the sale of any Shares under this Plan, and such authority is deemed by the Company's counsel to be necessary to the lawful issuance of those Shares, the Company will be relieved of any liability for failing to issue or sell those Shares.

(b) Grants Exceeding Allotted Shares. If the Optioned Stock covered by an Option exceed, as of the date of grant, the number of Shares which may be issued under the Plan without additional shareholder approval, that Option will be contingent with respect to such excess Shares, unless and until shareholder approval of an amendment sufficiently increasing the number of Shares subject to this Plan is timely obtained in accordance with Section 16(b).

(c) Rights of Participants and Beneficiaries. The Company will pay all amounts payable under this Plan only to the Optionee, or beneficiaries entitled thereto pursuant to this Plan. The Company will not be liable for the debts, contracts, or engagements of any Optionee or his or her beneficiaries, and rights to cash payments under this Plan may not be taken in execution by attachment or garnishment, or by any other legal or equitable proceeding while in the hands of the Company.

19. Reservation of Shares. The Company will at all times reserve and keep available for issuance a number of Shares sufficient to satisfy this Plan's requirements during its term.

20. Shareholder Approval. Continuance of this Plan will be subject to approval by the shareholders of the Company within 12 months before or after the date of its adoption. Such shareholder approval will be obtained in the manner and to the degree required under Applicable Laws. Options may be granted but Options may not be exercised prior to shareholder approval of the Plan. If any Options are so granted and shareholder approval is not obtained within 12 months of the date of adoption of this Plan by the Board, those Options will terminate retroactively as of the date they were granted.

21. Legending Stock Certificates. In order to enforce any restrictions imposed upon Common Stock issued upon exercise of an Option granted under this Plan or to which such Common Stock may be subject, the Administrator may cause a legend or legends to be placed on any certificates representing such Common Stock, which legend or legends will make appropriate reference to such restrictions, including, but not limited to, a restriction against sale of such Common Stock for any period of time as may be required by Applicable Laws. Additionally, and not by way of limitation, the Administrator may impose such restrictions on any Common Stock issued pursuant to the Plan as it may deem advisable.

22. No Employment Rights. Neither this Plan nor any Option will confer upon an Optionee any right with respect to continuing the Optionee's employment or consulting relationship with the Company, or continuing service as a Director, nor will they interfere in any way with the Optionee's right or the Company's right to terminate such employment or consulting relationship or directorship at any time, with or without cause.

23. Governing Law. The Plan will be governed by, and construed in accordance with the laws of the State of Delaware (without giving effect to conflicts of law principles).

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the "Amended Agreement") is made and entered into as of the __ day of June, 2002, by and among Big 5 Sporting Goods Corporation, a Delaware corporation (the "Company"), Big 5 Corp., a Delaware corporation and wholly owned subsidiary of the Company ("Big 5 Corp."), and Robert W. Miller, an individual (the "Executive").

R E C I T A L S

A. Executive is currently employed as Chairman of the Company's Board of Directors (the "Board") and as Chairman of Big 5 Corp.'s Board of Directors pursuant to an Employment Agreement (the "Employment Agreement") between Big 5 Corp's predecessor and Executive dated as of January 1, 1993.

B. The Company, Big 5 Corp. and Executive desire to amend and restate the Employment Agreement regarding the terms and conditions of Executive's employment by the Company and Big 5 Corp.

A G R E E M E N T

NOW, THEREFORE, in consideration of the foregoing recitals and the terms, covenants and conditions contained herein, the Company and Big 5 Corp. hereby agree to employ Executive, and Executive hereby accepts and agrees to such employment, on the terms and subject to the conditions set forth herein.

1. TERM OF EMPLOYMENT. This Amended Agreement shall be effective as of the Effective Date (as defined in Section 8.1) and shall govern Executive's employment from and after such date. As of any given date after the Effective Date (each such date, the "Date of Determination"), Executive's employment shall terminate on the third anniversary of the Date of Determination, unless sooner terminated in accordance with the provisions of this Amended Agreement or extended by an amendment executed by the Company, Big 5 Corp. and Executive (the "Term"). Accordingly, there shall always for all purposes be a minimum of at least three years remaining on the Term under this Amended Agreement.

2. CAPACITY AND DUTIES. Executive shall be employed as Chairman Emeritus of the Board, with such duties and responsibilities as may be mutually agreed on by Executive and the Chief Executive Officer of the Company. Effective upon the effectiveness of this Amended Agreement, Executive will resign any and all other positions he may hold with the Company and Big 5 Corp. Executive shall thereafter provide advisory and other services to the Company. As long as Executive serves as Chairman Emeritus of the Company, the Company shall use its best efforts to ensure that Executive shall continue to be elected to serve on the Board.

3. COMPENSATION.

3.1 SALARY. During the Term, Executive's annual salary shall be Three Hundred Fifty Thousand Dollars ($350,000) (the "Annual Salary").

3.2 PAYMENT OF TAXES. Except as explicitly provided herein, to the extent that any taxes become payable by Executive by virtue of any payments made or benefits conferred by the Company, the Company shall not be liable to pay or obligated to reimburse Executive for any such taxes or to make any adjustment under this Amended Agreement. Any payments otherwise due hereunder to Executive, including but not limited to the Annual Salary, shall be reduced by any required withholding for federal, state and/or local taxes and other appropriate payroll deductions.

4. BENEFITS.

4.1 EXPENSES. The Company agrees to repay or reimburse Executive for ordinary and necessary business expenses to the extent compatible with, and subject to the verification and substantiation documentation and procedures applicable under, the Company's general policies for its senior executive officers.

4.2 MEDICAL AND INSURANCE BENEFITS. During the Term, the Company shall provide Executive with those group medical, health insurance, disability insurance and life insurance benefits generally available to its senior executive officers, as such benefits may be modified from time to time in the Company's sole and absolute discretion.

4.3 VACATION AND SICK LEAVE. During the Term, Executive shall be entitled to vacations, holidays and sick leave without reduction in Executive's Annual Salary on a basis consistent with the policies established from time to time by the Company for its senior executive officers in its sole and absolute discretion.

4.4 AUTOMOBILE. During the Term, the Company shall provide Executive with an automobile on a basis consistent with the policies established from time to time by the Company for its senior executive officers in its sole and absolute discretion.

4.5 401(k) AND PROFIT-SHARING PLAN. During the Term, the Company shall provide Executive with the opportunity to participate in the Company's 401(k) plan and profit-sharing plan on a basis consistent with the policies established from time to time by the Company for its senior executive officers in its sole and absolute discretion.

4.6 OTHER BENEFITS. Executive shall also be eligible, on a basis consistent with the policies established by the Company for its senior executive officers, for any other benefits provided generally by the Company for or to its senior executive officers.

5. TERMINATION.

5.1 TERMINATION BY EITHER PARTY FOR ANY REASON. Each of the Company and Executive shall have the right to terminate Executive's employment under this Amended Agreement at any time for any reason or for no reason by written notice to the other party and Executive's employment shall automatically terminate upon Executive's

death (each such event, a "Termination" and the date on which Executive's employment is terminated, the "Termination Date"). In the event of Termination, this Amended Agreement shall terminate immediately and both parties shall thereupon be released and discharged of and from all further obligations hereunder except that any provisions that by their nature survive termination shall so survive (including the Company's ongoing obligations pursuant to Section 5.2 and, if applicable, Executive's ongoing obligations pursuant to Sections 6.1 and 6.2) and the Company shall pay to Executive (or Executive's estate), on the Termination Date, all amounts accrued and unpaid as of the Termination Date in respect of (i) Executive's Annual Salary for services rendered through such date, (ii) vacation pay to the extent consistent with the Company's policies in effect as of the Termination Date regarding entitlement to payment in respect of accrued but unused vacation time and (iii) expenses owing to Executive pursuant to Section 4.1.

5.2 RETIREMENT BENEFITS. In recognition of Executive's 46 years of service to the Company, the Company shall also pay to Executive, on the fifth business day following the Termination Date and on each anniversary of the Termination Date thereafter, as a lump sum payment subject to Section 3.2, a payment equal to Executive's Annual Salary (each, a "Retirement Payment"). In the event Florence H. Miller, Executive's spouse (the "Spouse"), survives Executive, the Company shall make the Retirement Payments to Spouse for the remainder of her lifetime. In addition, the Company shall continue to provide for the benefit of Executive and Spouse the medical and insurance benefits referred to in Section 4.2 during their respective lifetimes; provided, however, if certain of the Company's medical and insurance programs prohibit inclusion of Executive or Spouse under such programs, the Company will pay Executive or Spouse, as the case may be, an amount of cash (on a grossed up basis to account for the impact of taxes) sufficient to procure benefits comparable to those that would otherwise be provided pursuant to Section 4.2, up to an aggregate of $25,000 per year.

5.3 EXCLUSIVITY OF REMEDIES. Executive agrees that the rights and entitlements set forth in Section 5 apply to the exclusion of any other contractual rights and entitlements that Executive may have from the Company or Big 5 Corp. by reason of the termination of Executive's employment.

5.4 NO MITIGATION. The payments required to be paid to Executive by the Company pursuant to Section 5 shall not be reduced or mitigated by amounts which Executive is capable of earning or does earn during any period following his Termination Date.

6. COVENANTS.

6.1 NON-INTERFERENCE COVENANT. Upon the termination of the employment relationship between the Company and Executive for any reason, whether upon the expiration of the Term or earlier, and for a period of two years thereafter (the "Non-Solicitation Period"), Executive agrees to refrain from, directly, indirectly or as an agent on behalf of or in conjunction with any person, firm, partnership, corporation or other entity, soliciting or encouraging any employee of the Company or its direct or indirect subsidiaries who is employed in an executive, managerial, administrative or professional capacity or who

possesses Confidential Material (as defined in Section 6.2), to leave the employment of the Company or its affiliated entities.

6.2 NONDISCLOSURE OF CONFIDENTIAL MATERIAL.

(a) In the performance of his duties, Executive has previously had, and may be expected in the future to have, access to confidential records and information, including, but not limited to, development, marketing, purchasing, organizational, strategic, financial, managerial, administrative, manufacturing, production, distribution and sales information, data, specifications and processes presently owned or at any time hereafter developed by the Company or its agents or consultants or used presently or at any time hereafter in the course of its business, that are not otherwise part of the public domain (collectively, the "Confidential Material"). All such Confidential Material is considered secret and has been and/or will be disclosed to Executive in confidence. Except in the performance of his duties to the Company, Executive shall not, directly or indirectly for any reason whatsoever, disclose or use any such Confidential Material, except that the foregoing disclosure prohibition shall not apply as to Confidential Material that has been publicly disclosed (not due to a breach by Executive of his obligations hereunder or by breach of any other person of a confidential, fiduciary or confidential obligation, the breach of which Executive knows or reasonably should know). All records, files, drawings, documents, equipment and other tangible items, wherever located, relating in any way to the Confidential Material or otherwise to the Company's business, which Executive has prepared, used or encountered or shall in the future prepare, use or encounter, shall be and remain the Company's sole and exclusive property and shall be included in the Confidential Material. Upon termination of this Amended Agreement, or whenever requested by the Company, Executive shall promptly deliver to the Company any and all of the Confidential Material and copies thereof, not previously delivered to the Company, that may be, or at any previous time has been, in the possession or under the control of Executive.

(b) In light of the fact that the Confidential Material that Executive has acquired, and will acquire, is inextricably bound with Executive's knowledge regarding the conduct of the Company's business activities and that therefore Executive would necessarily use Confidential Material if he were to compete with the Company, Executive further agrees that during the term of Executive's employment relationship with the Company, he will not provide any services, whether as an officer, director, proprietor, employee, partner, consultant, advisor, agent, sales representative or otherwise, nor will he own beneficially securities of any entity (except that, in the case of any entity whose equity securities are publicly-held, he may beneficially own up to 2% of the outstanding equity securities of such entity) that, directly or indirectly, competes with any of the Company's present or future (up to the date of termination) business activities. Executive further agrees that, upon the termination of the employment relationship between the Company and Executive for any reason, whether upon the expiration of the Term or earlier (including a voluntary termination by Executive), the restrictions set forth in the previous sentence shall extend for the greater of (x) a six-month period after termination and (y) the remainder of the Term as then in effect (without any further extensions thereof) but for such termination.

6.3 EQUITABLE RELIEF. Executive acknowledges that violation of either Section 6.1 or 6.2 would cause the Company irreparable damage for which the Company

cannot be reasonably compensated in damages in an action at law, and therefore in the event of any breach by Executive of Section 6.1 or 6.2, the Company shall be entitled to make application to a court of competent jurisdiction for equitable relief by way of injunction or otherwise (without being required to post a bond). This provision shall not, however, be construed as a waiver of any of the rights which the Company may have for damages under this Amended Agreement or otherwise, and all of the Company's rights and remedies shall be unrestricted.

7. ARBITRATION AS THE EXCLUSIVE REMEDY.

7.1 ARBITRATION OF ALL DISPUTES. If Executive and the Company cannot resolve a dispute (whether arising in contract or tort or any other legal theory and whether based on federal, state or local statute or common law and regardless of the identities of any other defendants) that in any way relates to or arises out of the employment relationship established herein or the termination thereof (a "Dispute"), then arbitration will be used to settle such Dispute. Because arbitration is generally faster and less expensive than other procedures for resolving disputes, both Executive and the Company agree that the arbitration procedure set forth below will be their exclusive remedy and waive any right to seek legal relief in any other form. In the event that a Dispute involves a claim which either Executive or the Company seeks to assert against a third party, the assertion of such claim against such third party in a court or other tribunal shall not relieve Executive and the Company from their respective obligations to resolve the Dispute between them by arbitration under Section 7. The parties further agree that arbitration shall be their exclusive remedy in the event of any Dispute which involves any third party (including any officer, director or agent of the Company or an affiliate of the Company) provided that such third party consents to participate in and be bound by such arbitration. The only exception to the preceding provisions of Section 7.1 is that the Company may seek provisional relief from any court having jurisdiction in the event of an alleged breach by Executive of Sections 6.1 or 6.2 or any other provision of this Amended Agreement pending a final determination by arbitration, in the event of any claim that would be rendered ineffectual without provisional relief and Executive may seek such provisional relief, pending a final determination by arbitration, in the event of any claim that would be rendered ineffectual without provisional relief. The arbitration will be conducted in accordance with the employment arbitration procedures of the American Arbitration Association ("AAA"), except as modified in this Amended Agreement.

7.2 SELECTION OF ARBITRATORS. Each party shall have the right to designate one arbitrator within ten (10) business days from the date when the party initiating the arbitration files and delivers a notice of intent to arbitrate. If, within that time period, either party has failed to appoint an arbitrator, AAA shall make the appointment. The two arbitrators shall agree upon and designate a third arbitrator within ten (10) business days from the date of the appointment of the last-appointed arbitrator. In the event that the two arbitrators have not designated a third arbitrator within ten (10) business days from the date of the appointment of the last-appointed arbitrator, AAA shall appoint the third arbitrator. After the selection of arbitrators, the parties may mutually agree to used the third arbitrator as the sole arbitrator to resolve their dispute.

7.3 PROCEDURES. The party filing a claim must present it in writing to both the other party and the AAA office in Los Angeles within six months of the date the party filing the claim knew or should have known of it or the Termination Date, whichever is earlier. Any claim not brought within the required time period will be waived forever. In the arbitration proceedings (i) all testimony of witnesses shall be taken under oath, (ii) it is specifically contemplated and agreed by the parties hereto that the provisions of Section 1283.05 of the Code of Civil Procedure, as presently in force, be incorporated into and made a part of, and be applicable to, the arbitration agreement set forth in this Section 7.3, and (iii) upon conclusion of any arbitration proceedings hereunder, the arbitrators shall render findings of fact and conclusions of law in a written opinion setting forth the basis and reasons for any decision reached and deliver such documents to each party to this Amended Agreement along with a signed copy of the award in accordance with Section 1283.6 of the California Code of Civil Procedure.

Each party hereby agrees that the prevailing party shall be entitled to recover all costs incurred in preparation for and as a result of any such arbitration, including without limitation, filing fees, attorneys' fees, the compensation to be paid to the arbitrators in any such arbitration and costs of transcripts. The arbitrators shall not have power or competence to allocate between the parties in their award any such costs, expenses, fees or share of the arbitrators' compensation, except as provided in the preceding sentence.

8. MISCELLANEOUS.

8.1 EFFECTIVE DATE. The "Effective Date" of this Amended Agreement shall be the consummation of the initial public offering of Common Stock contemplated by the registration statement on Form S-1 filed with the Securities and Exchange Commission on August 21, 2001 (File No. 333-68094) (the "IPO"). If the IPO has not been consummated by August 31, 2002, this Amended Agreement shall terminate and be of no further force and effect. The Employment Agreement shall remain in full force and effect until this Amended Agreement becomes effective.

8.2 JOINT AND SEVERAL OBLIGATIONS. The obligations and promises set forth herein by the Company and Big 5 Corp., including payment obligations, shall be joint and several undertakings of each such party, and, in the event of a breach of any of such obligations or promises, Executive may proceed hereunder against any one or more of such parties without waiving the right to proceed against the other.

8.3 AGREEMENT AUTHORIZED. Executive hereby warrants that Executive is free to enter into this Amended Agreement and to render Executive's services pursuant hereto. The Company and Big 5 Corp. hereby warrant that any required authorization of this Amended Agreement by their respective boards of directors have been obtained.

8.4 COUNSEL. Executive has read and understands this Amended Agreement and has sought the advice of counsel to the extent he has determined appropriate.

8.5 PARTIAL INVALIDITY. If any term or provision of this Amended Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable (other than provisions going to the essence of this Amended

Agreement), the remainder of this Amended Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Amended Agreement shall be valid and be enforced to the fullest extent permitted by law.

8.6 NOTICES. Except as otherwise provided herein, all notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally against written receipt or by facsimile transmission or mailed by prepaid first class certified mail, return receipt requested, or mailed by overnight courier prepaid, to the parties at the following addresses or facsimile numbers:

If to the Company, to:

Big 5 Sporting Goods Corporation
Attention: Gary S. Meade
2525 East El Segundo Boulevard
El Segundo, California 90245
Fax #: (310) 297-7592

If to Big 5 Corp., to:

Big 5 Corp.
Attention: Gary S. Meade
2525 East El Segundo Boulevard
El Segundo, California 90245
Fax #: (310) 297-7592

If to Executive, to:

Robert W. Miller
2525 East El Segundo Boulevard
El Segundo, California 90245
Fax #: (310) 297-7595

All such notices, requests and other communications will (a) if delivered personally to the address as provided in this Section 8.6, be deemed given upon delivery, (b) if delivered by facsimile transmission to the facsimile number as provided in this Section 8.6, be deemed given upon receipt, (c) if delivered by mail in the manner described above to the address as provided in this Section 8.6, be deemed given on the earlier of the third business day following mailing or upon receipt and (d) if delivered by overnight courier to the address as provided in this Section 8.6, be deemed given on the earlier of the first business day following the date sent by such overnight courier or upon receipt. Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other parties hereto.

8.7 ENTIRE AGREEMENT. This Amended Agreement sets forth the entire understanding of the parties relating to the subject matter hereof and supersedes any and all prior agreements or understandings between the parties relating to such subject matter.

Notwithstanding the foregoing, this Amended Agreement does not supersede the Management Subscription and Stockholders Agreement between Executive and the Company dated as of November 11, 1997 and it is acknowledged that the parties may enter into other agreements in connection with Executive's employment, including Option agreements.

8.8 SUCCESSORS AND ASSIGNS; NO THIRD PARTY BENEFICIARIES. The Company shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Company, expressly and unconditionally to assume and agree to perform the Company's obligations under this Amended Agreement, in the same manner and to the same extent that the Company would be required to perform if no such succession or assignment had taken place. This Amended Agreement is solely for the benefit of the parties hereto and their respective permitted successors and assigns and no other person or entity shall have any rights under this Agreement; provided, however, it is expressly intended that Executive's estate and Spouse are third party beneficiaries of this Amended Agreement.

8.9 MODIFICATION AND WAIVER. None of the terms or provisions hereof shall be modified or waived, and this Amended Agreement may not be amended or terminated, except by a written instrument signed by the party against which any modification, waiver, amendment or termination is to be enforced. No waiver of any one provision shall be considered a waiver of any other provision, and the fact that an obligation is waived for a period of time or in one instance shall not be considered to be a continuing waiver.

8.10 CONSTRUCTION AND ASSIGNMENT. This Amended Agreement shall be construed under and governed by the laws of the State of California. This Amended Agreement shall not be assignable by Executive. The terms and conditions of this Amended Agreement shall inure to the benefit of and be binding upon any successor to the business of the Company or Big 5 Corp.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amended Agreement as of the day and year first written above.

THE COMPANY

Big 5 Sporting Goods Corporation,
a Delaware corporation

By:

Name:

Title:

BIG 5 CORP.

Big 5 Corp.,
a Delaware corporation

By:

Name:

Title:

EXECUTIVE

Robert W. Miller

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the "Amended Agreement") is made and entered into as of the __ day of June, 2002, by and between Big 5 Sporting Goods Corporation, a Delaware corporation (the "Company"), Big 5 Corp., a Delaware corporation and wholly owned subsidiary of the Company ("Big 5 Corp."), and Steven G. Miller, an individual (the "Executive").

R E C I T A L S

A. Executive is currently employed as President and Chief Executive Officer of the Company and as President and Chief Executive Officer of Big 5 Corp. pursuant to an Employment Agreement (the "Employment Agreement") between Big 5 Corp's predecessor and Executive dated as of January 1, 1993.

B. The Company, Big 5 Corp. and Executive desire to amend and restate the Employment Agreement regarding the terms and conditions of Executive's employment by the Company and Big 5 Corp.

A G R E E M E N T

NOW, THEREFORE, in consideration of the foregoing recitals and the terms, covenants and conditions contained herein, the Company and Big 5 Corp. hereby agree to employ Executive, and Executive hereby accepts and agrees to such employment, on the terms and subject to the conditions set forth herein.

1. TERM OF EMPLOYMENT. This Amended Agreement shall be effective as of the Effective Date (as defined in Section 9.1) and shall govern Executive's employment from and after such date. As of any given date after the Effective Date (each such date, the "Date of Determination"), Executive's employment shall terminate on the fourth anniversary of the Date of Determination, unless sooner terminated in accordance with the provisions of this Amended Agreement or extended by an amendment executed by the Company, Big 5 Corp. and Executive (the "Term"). Accordingly, there shall always for all purposes be a minimum of at least four years remaining on the Term under this Amended Agreement.

2. CAPACITY AND DUTIES. Executive shall be employed as President, Chief Executive Officer and Chairman of the Board of Directors of the Company (the "Board") and President, Chief Executive Officer and Chairman of the Board of Directors of Big 5 Corp., with such duties and responsibilities commensurate with such positions as may be assigned by the Company or Big 5 Corp., as applicable. Executive shall devote his full business time, attention and energy to the performance of his duties for the Company and Big 5 Corp.; provided, however, that, subject to Section 7.2(b), Executive may engage in non-profit and personal investment activities that neither interfere with his duties and responsibilities under this Amended Agreement nor conflict or compete with the interests of the Company. As long as Executive serves as an officer of the Company, the Company

shall use its best efforts to ensure that Executive shall continue to be elected to serve on the Board and on the Board of Directors of Big 5 Corp.

3. COMPENSATION.

3.1 BASE SALARY. During the Term, Executive's annual base salary shall be Three Hundred Seventy Five Thousand Dollars ($375,000) and shall be adjusted as provided in this Section 3.1 (the "Base Salary"). During the first quarter of each calendar year of the Term (each year during the Term is sometimes referred to as a "Term Year"), on a timetable consistent with its general evaluation of the annual performance of the Company's senior executive officers, or from time to time at the sole discretion of the compensation committee of the Board (the "Compensation Committee"), Executive's Base Salary shall be reviewed by the Compensation Committee and may be increased, but may never be decreased, in the sole discretion of the Compensation Committee. In determining whether to increase Executive's Base Salary, the Compensation Committee may engage a reputable compensation consulting firm to determine comparable compensation packages provided to chief executive officers in similarly situated companies.

3.2 ANNUAL BONUS. The Compensation Committee shall adopt a cash bonus plan designed to provide Executive an opportunity to earn annual cash bonuses during each Term Year during his employment that, when added to Executive's Base Salary, shall provide Executive a level of compensation consistent with the Company's past practice and the Company's and Executive's performance, and in any event comparable to compensation generally provided to other chief executive officers of publicly traded companies that are comparable to the Company. If desired by the Compensation Committee, the Company may retain a reputable compensation consultant to assist the Compensation Committee in identifying similarly situated companies and to make recommendations regarding the structure and amount of the cash bonus plan. If this Amended Agreement is terminated in the middle of a Term Year, Executive shall receive a cash bonus for services rendered through the Termination Date (as defined in Section 5.8) equal to the greater of (a) the last annual cash bonus paid to Executive (whether before or during the Term) and (b) the average of the annual cash bonuses paid by the Company or Big 5 Corp. to Executive during the immediately preceding three full fiscal years (whether before or during the Term), pro rated through the Termination Date.

3.3 PAYMENT OF TAXES. Except as explicitly provided herein, to the extent that any taxes become payable by Executive by virtue of any payments made or benefits conferred by the Company, the Company shall not be liable to pay or obligated to reimburse Executive for any such taxes or to make any adjustment under this Amended Agreement. Any payments otherwise due hereunder to Executive, including but not limited to the Base Salary and any bonus, shall be reduced by any required withholding for federal, state and/or local taxes and other appropriate payroll deductions.

3.4 STOCK OPTIONS. All options (the "Options") to purchase the common stock of the Company (the "Common Stock") granted to Executive after the Effective Date, whether pursuant to the Company's 2002 stock incentive plan (the "Stock Incentive Plan") or otherwise, shall, unless otherwise agreed by the Company and Executive, vest in 48 equal monthly installments commencing on the first day of each month following the month in

which such Options are granted. All such Options shall provide that they may be exercised by Executive (or by Executive's permitted transferees) by, as one option, delivery of a promissory note in the amount of the total exercise price of the Option. The promissory note shall bear interest at the then applicable federal rate for a four year loan, shall be nonrecourse except to the security referred to in the following clause, shall be secured by the Common Stock so purchased, and shall be payable in full (principal and interest) on the fourth anniversary of the date of the purchase of the shares. Notwithstanding the foregoing, Executive shall apply all proceeds from the sale of any shares of Common Stock so purchased by delivery of a promissory note to the repayment of principal and interest outstanding under the note until all principal and interest is paid in full. The Company shall maintain an effective registration statement covering the shares of Common Stock underlying any Options granted to Executive.

4. BENEFITS.

4.1 EXPENSES. The Company agrees to repay or reimburse Executive for ordinary and necessary business expenses to the extent compatible with, and subject to the verification and substantiation documentation and procedures applicable under, the Company's general policies for its senior executive officers.

4.2 MEDICAL AND INSURANCE BENEFITS. During the Term, the Company shall provide Executive with those group medical, health insurance, disability insurance and life insurance benefits generally available to its senior executive officers, as such benefits may be modified from time to time in the Company's sole and absolute discretion.

4.3 VACATION AND SICK LEAVE. During the Term, Executive shall be entitled to vacations, holidays and sick leave without reduction in Executive's Base Salary in accordance with the policies established from time to time by the Company for its senior executive officers in its sole and absolute discretion; provided, however, that nothing contained in this Section 4.3 shall affect the Company's rights under Section 5.4.

4.4 AUTOMOBILE. During the Term, the Company shall provide Executive with an automobile in accordance with the policies established from time to time by the Company for its senior executive officers in its sole and absolute discretion.

4.5 401(k) AND PROFIT-SHARING PLAN. During the Term, the Company shall provide Executive with the opportunity to participate in the Company's 401(k) plan and profit-sharing plan in accordance with the policies established from time to time by the Company for its senior executive officers in its sole and absolute discretion.

4.6 OTHER BENEFITS. Executive shall also be eligible, on the same basis as other senior executive officers, for any other benefits provided generally by the Company for or to its senior executive officers.

5. TERMINATION. Subject to the provisions of this Section 5, each of the Company and Executive shall have the right to terminate Executive's employment under this Amended Agreement at any time for any reason or for no reason by written notice to the other party.

5.1 TERMINATION BY THE COMPANY FOR JUST CAUSE. Without prejudice to the foregoing, the Company may terminate Executive's employment hereunder at any time for Just Cause (as defined below). A termination shall be for "Just Cause" if such termination results from the occurrence of any of the following: (i) intentional material misconduct by Executive in the responsibilities reasonably assigned to him or (ii) conviction by a court of competent jurisdiction of any felony involving the embezzlement, theft or misappropriation of monies or other property of the Company or for any crime involving moral turpitude. In the event of termination for Just Cause, this Amended Agreement shall terminate immediately and both parties shall thereupon be released and discharged of and from all further obligations hereunder except that any provisions that by their nature survive termination shall so survive (including Executive's ongoing obligations pursuant to Sections 7.1 and 7.2) and the Company shall pay to Executive, on the Termination Date, all amounts accrued and unpaid as of the Termination Date in respect of (i) Executive's salary and annual cash bonus, computed in accordance with Section 3.2, for services rendered through such date, (ii) vacation pay to the extent consistent with the Company's policies in effect as of the Termination Date regarding entitlement to payment in respect of accrued but unused vacation time and (iii) expenses owing to Executive pursuant to Section 4.1.

5.2 TERMINATION BY EXECUTIVE WITHOUT GOOD REASON. Without prejudice to the foregoing, Executive may terminate his employment without regard to Good Reason (defined in Section 5.3). In the event Executive terminates his employment without regard to Good Reason, this Amended Agreement shall terminate immediately and both parties shall thereupon be released and discharged of and from all further obligations hereunder except that any provisions that by their nature survive termination shall so survive (including Executive's ongoing obligations pursuant to Sections 7.1 and 7.2) and the Company shall pay to Executive, on the Termination Date, all amounts accrued and unpaid as of the Termination Date in respect of (i) Executive's salary and annual cash bonus, computed in accordance with Section 3.2, for services rendered through such date, (ii) vacation pay to the extent consistent with the Company's policies in effect as of the Termination Date regarding entitlement to payment in respect of accrued but unused vacation time and (iii) expenses owing to Executive pursuant to Section 4.1.

5.3 TERMINATION BY THE COMPANY WITHOUT JUST CAUSE OR BY EXECUTIVE FOR GOOD REASON. In the event the Company terminates Executive without Just Cause, or if Executive terminates his employment with the Company for Good Reason, this Amended Agreement shall terminate immediately and both parties shall thereupon be released and discharged of and from all further obligations hereunder except that any provisions that by their nature survive termination shall so survive (including Executive's ongoing obligations pursuant to Sections 7.1 and 7.2(a)) and the Company shall pay to Executive, on the Termination Date, all amounts accrued and unpaid as of the Termination Date in respect of (i) Executive's salary and annual cash bonus, computed in accordance with Section 3.2, for services rendered through such date, (ii) vacation pay to the extent consistent with the Company's policies in effect as of the Termination Date regarding entitlement to payment in respect of accrued but unused vacation time and (iii) expenses owing to Executive pursuant to Section 4.1. The Company shall also pay to Executive, on the fifth business day following the Termination Date, as a lump sum severance payment and subject to Section 3.3, Executive's Base Salary through the remaining scheduled Term of the Amended Agreement, computed without regard to the termination of such Amended Agreement (the

"Severance Period") plus an amount equal to four times the greater of (a) the last annual cash bonus paid to Executive (whether before or during the Term) and (b) the average annual cash bonus paid by the Company or Big 5 Corp. to Executive during the prior three fiscal years (whether before or during the Term). In addition, Executive will also be entitled, during the Severance Period, to receive all benefits that would have been payable to him pursuant to Sections 4.2 and 4.4 if Executive had been employed by the Company during such period. Notwithstanding the foregoing, the Company shall not be required to provide any medical benefits to Executive as of the date Executive and his family become covered under any other group health plan not maintained by the Company; provided, however, that if such other group health plan excludes any pre-existing condition that Executive or his dependents may have when coverage under such group health plan would otherwise begin, coverage under this Section 5.3 shall continue (but not beyond the Severance Period) with respect to such pre-existing condition until such exclusion under such other group health plan lapses or expires. In the event Executive is required to make an election under Sections 601 through 607 of ERISA (commonly known as COBRA) to qualify for any of the benefits described in this Section 5.3, the obligations of the Company to provide such benefits under this Section 5.3 shall be conditioned upon Executive timely making such an election (the preceding two sentences are referred to as the "Benefits Exceptions"). In addition to the foregoing, and notwithstanding the provisions of any other agreement to the contrary, all Options that have been granted to Executive shall become immediately exercisable on the Termination Date and shall remain exercisable for the full term of each such Option. Executive's termination of this Amended Agreement shall be for "Good Reason" if Executive terminates this Amended Agreement for any of the following reasons: (i) the willful breach of any of the material obligations of the Company or Big 5 Corp. to Executive under this Amended Agreement following written notice delivered to the Company or Big 5 Corp., as applicable, and a reasonable cure period not to exceed thirty (30) business days; (ii) the Company's chief executive offices are moved to a location outside of Los Angeles County, California; (iii) Executive's position (including status, titles and reporting requirements), authority, duties and responsibilities shall cease to be at least commensurate in all respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date; (iv) Executive fails to be reelected to, or is removed from, the Board or the Board of Directors of Big 5 Corp.; or (v) any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company fails to assume expressly and agree to perform this Amended Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

5.4 UNAVAILABILITY. If Executive becomes Unavailable for a period of thirty (30) consecutive business days, the Company shall have the right to designate a person to succeed Executive on a temporary basis in the capacity described in Section 2; provided, however, that if at any time during the first six months after Executive becomes Unavailable, Executive ceases to be Unavailable for a period of thirty (30) consecutive business days, he shall be entitled to be reinstated in the capacity described in Section 2. If Executive becomes and remains Unavailable for any consecutive period during the Term exceeding six months, or for shorter periods aggregating more than eight months during any twelve-month period during the Term, either party shall have the right to terminate this Amended Agreement, and both parties shall thereupon be released and discharged of and from all

further obligations hereunder except that any provisions that by their nature survive termination shall so survive (including Executive's ongoing obligations pursuant to Sections 7.1 and 7.2(a)) and the Company shall pay to Executive, on the Termination Date, all amounts accrued and unpaid as of the Termination Date in respect of (i) Executive's salary and annual cash bonus, computed in accordance with Section 3.2, for services rendered through such date, (ii) vacation pay to the extent consistent with the Company's policies in effect as of the Termination Date regarding entitlement to payment in respect of accrued but unused vacation time and (iii) expenses owing to Executive pursuant to Section 4.1. The Company shall also pay to Executive, on the fifth business day following the Termination Date, as a lump sum severance payment and subject to Section 3.3, Executive's Base Salary for two years plus an amount equal to two times the greater of (a) the last annual cash bonus paid to Executive (whether before or during the Term) and (b) the average annual cash bonus paid by the Company or Big 5 Corp. to Executive during the prior three fiscal years (whether before or during the Term). In addition to the foregoing, and notwithstanding the provisions of any other agreement to the contrary, (x) all Options that would have vested during the 24 months following the Termination Date shall become immediately exercisable on the Termination Date and shall remain exercisable for the full term of each such Option and (y) the Company shall continue to provide Executive all other benefits that would otherwise be payable to Executive pursuant to Sections 4.2 and 4.4 during the Severance Period, subject to the Benefits Exceptions. "Unavailable" shall mean any instance (except for an instance which would constitute Just Cause under Section 5.1) where Executive is not reasonably able to render full services as contemplated hereby, which determination shall be made in good faith by a qualified physician selected by the Compensation Committee or the Company's insurers and acceptable to Executive or Executive's legal representative.

5.5 DEATH. In the event of Executive's death at any time during the Term, this Amended Agreement shall terminate automatically and both parties shall thereupon be released and discharged of and from all further obligations hereunder except that any provisions that by their nature survive termination shall so survive and the Company shall pay to Executive's estate, within five (5) business days of the Termination Date, all amounts accrued and unpaid as of the Termination Date in respect of (i) Executive's salary and annual cash bonus, computed in accordance with Section 3.2, for services rendered through such date, (ii) vacation pay to the extent consistent with the Company's policies in effect as of the Termination Date regarding entitlement to payment in respect of accrued but unused vacation time and (iii) expenses owing to Executive pursuant to Section 4.1. In addition to the foregoing, and notwithstanding the provisions of any other agreement to the contrary, (x) all Options that would have vested during the 24 months following the Termination Date shall become immediately exercisable on the Termination Date and shall remain exercisable for the full term of each such Option and (y) the Company shall continue to provide for the benefit of Executive's family the medical benefits referred to in Section 4.2 during the Severance Period, subject to the Benefits Exceptions.

5.6 EXCLUSIVITY OF REMEDIES. Executive agrees that the rights and entitlements set forth in Section 5 apply to the exclusion of any other contractual rights and entitlements that Executive may have from the Company or Big 5 Corp. by reason of the termination of Executive's employment.

5.7 NO MITIGATION. The payments required to be paid to Executive by the Company pursuant to Section 5 shall not be reduced or mitigated by amounts which Executive is capable of earning or does earn during any period following his Termination Date.

5.8 TERMINATION DATE. For purposes of Sections 5 and 6, the term "Termination Date" shall mean that date on which Executive's employment is terminated pursuant to Section 5.

6. SEVERANCE PAYMENTS FOLLOWING A CHANGE IN CONTROL.

6.1 SEVERANCE PAYMENT; CONTINUATION OF BENEFITS; VESTING OF OPTIONS. If there is a Change in Control (as defined in Section 6.2) of the Company while Executive is employed by the Company and if, within 6 months following the date of such Change in Control, Executive terminates his employment for any reason whatsoever, then Executive shall receive all of the payments and benefits set forth in Section 5.3 as if Executive had terminated his employment for Good Reason.

6.2 CHANGE IN CONTROL. For purposes of Section 6, "Change in Control" of the Company shall mean the occurrence, after the consummation of the IPO (as defined in Section 9.1), of any of the following:

(a) Any Person or Group, as such terms are defined in Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), becomes the Beneficial Owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company, or of any entity resulting from a merger or consolidation involving the Company, representing more than 50% of the combined voting power in the election of directors of the then outstanding securities of the Company or such entity;

(b) The individuals who, as of the time immediately following the consummation of the IPO, are members of the Board (the "Existing Directors"), cease, for any reason, to constitute more than 50% of the number of authorized directors of the Company as determined in the manner prescribed in the Company's charter documents; provided, however, that if the election, or nomination for election, by the Company's stockholders of any new director was approved by a vote of at least 50% of the Existing Directors, such new director shall be considered an Existing Director; provided, further, that no individual shall be considered an Existing Director if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies by or on behalf of anyone other than the Board (a "Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) The consummation of (x) a merger, consolidation or reorganization to which the Company is a party, whether or not the Company is the Person surviving or resulting therefrom, or (y) a sale, assignment, lease, conveyance or other disposition of all or substantially all of the assets of the Company, in one transaction or a

series of related transactions, to any Person other than the Company, where any such transaction or series of related transactions as is referred to in clause (x) or clause (y) above in this subparagraph (c) (singly or collectively, a "Transaction") does not otherwise result in a "Change in Control" pursuant to subparagraph (a) of this definition of "Change in Control"; provided, however, that no such Transaction shall constitute a "Change in Control" under this subparagraph (c) if the Persons who were the stockholders of the Company immediately before the consummation of such Transaction are the Beneficial Owners, immediately following the consummation of such Transaction, of 50% or more of the combined voting power of the then outstanding voting securities of the Person surviving or resulting from any merger, consolidation or reorganization referred to in clause (x) above in this subparagraph (c) or the Person to whom the assets of the Company are sold, assigned, leased, conveyed or disposed of in any transaction or series of related transactions referred in clause (y) above in this subparagraph (c), in substantially the same proportions in which such Beneficial Owners held voting stock in the Company immediately before such Transaction.

6.3 EXCISE TAX LIMITATION.

(a) Notwithstanding anything contained in this Amended Agreement to the contrary, in the event that any payment or benefit (within the meaning of Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code")) to Executive or for Executive's benefit paid or payable pursuant to the terms of this Amended Agreement or otherwise in connection with, or arising out of, Executive's employment with the Company on a change of control within the meaning of Section 280G of the Code (a "Payment" or "Payments"), would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Payments shall be reduced (but not below zero) but only to the extent necessary that no portion thereof shall be subject to the excise tax imposed by Section 4999 of the Code (the "Section 4999 Limit"). Unless Executive shall have given prior written notice specifying a different order to the Company to effectuate the limitations described in the preceding sentence, the Company shall reduce or eliminate the Payments by first reducing or eliminating those Payments that are not payable in cash and then by reducing or eliminating cash Payments, in each case in reverse order beginning with Payments that are to be paid the farthest in time from the Determination (as defined in Section 6.3(b)). Any notice given by Executive pursuant to the preceding sentence shall take precedence over the provisions of any other plan, arrangement or agreement governing Executive's rights and entitlements to any benefits or compensation.

(b) All determinations required to be made under this Section 6.5 (each, a "Determination") shall be made, at the Company's expense, by the accounting firm that is the Company's accounting firm prior to a "change of control" (within the meaning of Section 280G of the Code) or another nationally recognized accounting firm designated by the Board (or a committee thereof) prior to the change of control (the "Accounting Firm"). The Accounting Firm shall provide its calculations, together with detailed supporting documentation, both to the Company and to Executive before payment of Executive's severance payment under Section 6 (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive (in either case provided that the Company or Executive believes in good faith that any of the Payments may be subject to the Excise Tax). Within ten (10) calendar days of the delivery of the Determination to

Executive, Executive shall have the right to dispute the Determination. The existence of any dispute shall not in any way affect Executive's right to receive the Payments in accordance with the Determination. If there is no Dispute, the Determination by the Accounting Firm shall be final, binding and conclusive upon the Company and Executive, subject to the application of Section 6.3(c).

(c) As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that the Payments either will have been made or will not have been made by the Company, in either case in a manner inconsistent with the limitations provided in Section 6.3(a) (an "Excess Payment" or "Underpayment", respectively). If it is established pursuant to (i) a final determination of a court for which all appeals have been taken and finally resolved or the time for all appeals has expired or (ii) an Internal Revenue Service (the "IRS") proceeding which has been finally and conclusively resolved, that an Excess Payment has been made, such Excess Payment shall be deemed for all purposes to be a loan to Executive made on the date Executive received the Excess Payment and Executive shall repay the Excess Payment to the Company on demand, together with interest on the Excess Payment at one hundred twenty percent (120%) of the applicable federal rate compounded semi-annually from the date of Executive's receipt of such Excess Payment until the date of such repayment. If it is determined (i) by the Accounting Firm, the Company or the IRS, (ii) pursuant to a determination by a court, or (iii) upon the resolution to Executive's satisfaction of the dispute, that an Underpayment has occurred, the Company shall pay an amount equal to the Underpayment to Executive within ten (10) calendar days of such determination or resolution, together with interest on such amount at one hundred twenty percent (120%) of the applicable federal rate compounded semi-annually from the date such amount should have been paid to Executive pursuant to the terms of this Amended Agreement or otherwise, but for the operation of this Section 6.3(c), until the date of payment.

6.4 NO MITIGATION. The payments required to be paid to Executive by the Company pursuant to Section 6 shall not be reduced by amounts which Executive is capable of earning or does earn during any period following his Termination Date.

7. COVENANTS.

7.1 NON-INTERFERENCE COVENANT. Upon the termination of the employment relationship between the Company and Executive for any reason, whether upon the expiration of the Term or earlier, and for a period of two years thereafter (the "Non-Solicitation Period"), Executive agrees to refrain from, directly, indirectly or as an agent on behalf of or in conjunction with any person, firm, partnership, corporation or other entity, soliciting or encouraging any employee of the Company or its direct or indirect subsidiaries who is employed in an executive, managerial, administrative or professional capacity or who possesses Confidential Material (as defined in Section 7.2), to leave the employment of the Company or its affiliated entities.

7.2 NONDISCLOSURE OF CONFIDENTIAL MATERIAL.

(a) In the performance of his duties, Executive has previously had, and may be expected in the future to have, access to confidential records and

information, including, but not limited to, development, marketing, purchasing, organizational, strategic, financial, managerial, administrative, manufacturing, production, distribution and sales information, data, specifications and processes presently owned or at any time hereafter developed by the Company or its agents or consultants or used presently or at any time hereafter in the course of its business, that are not otherwise part of the public domain (collectively, the "Confidential Material"). All such Confidential Material is considered secret and has been and/or will be disclosed to Executive in confidence. Except in the performance of his duties to the Company, Executive shall not, directly or indirectly for any reason whatsoever, disclose or use any such Confidential Material, except that the foregoing disclosure prohibition shall not apply as to Confidential Material that has been publicly disclosed (not due to a breach by Executive of his obligations hereunder or by breach of any other person of a confidential, fiduciary or confidential obligation, the breach of which Executive knows or reasonably should know). All records, files, drawings, documents, equipment and other tangible items, wherever located, relating in any way to the Confidential Material or otherwise to the Company's business, which Executive has prepared, used or encountered or shall in the future prepare, use or encounter, shall be and remain the Company's sole and exclusive property and shall be included in the Confidential Material. Upon termination of this Amended Agreement, or whenever requested by the Company, Executive shall promptly deliver to the Company any and all of the Confidential Material and copies thereof, not previously delivered to the Company, that may be, or at any previous time has been, in the possession or under the control of Executive.

(b) In light of the fact that the Confidential Material that Executive has acquired, and will acquire, is inextricably bound with Executive's knowledge regarding the conduct of the Company's business activities and that therefore Executive would necessarily use Confidential Material if he were to compete with the Company, Executive further agrees that during the term of Executive's employment relationship with the Company, he will not provide any services, whether as an officer, director, proprietor, employee, partner, consultant, advisor, agent, sales representative or otherwise, nor will he own beneficially securities of any entity (except that, in the case of any entity whose equity securities are publicly-held, he may beneficially own up to 2% of the outstanding equity securities of such entity) that, directly or indirectly, competes with any of the Company's present or future (up to the date of termination) business activities. Executive further agrees that, upon the termination of the employment relationship between the Company and Executive for any reason, whether upon the expiration of the Term or earlier (including a voluntary termination by Executive), the restrictions set forth in the previous sentence shall extend for the greater of (x) a six-month period after termination and (y) the remainder of the Term as then in effect (without any further extensions thereof) but for such termination; provided, however, that the agreement between Executive and the Company contained in the first part of this sentence shall not apply in the event that Executive's employment is terminated by the Company without Just Cause pursuant to Section 5.3, by Executive for Good Reason pursuant to Section 5.3 or by the Company or Executive due to Executive's Unavailability pursuant to Section 5.4.

7.3 EQUITABLE RELIEF. Executive acknowledges that violation of either Section 7.1 or 7.2 would cause the Company irreparable damage for which the Company cannot be reasonably compensated in damages in an action at law, and therefore in the event of any breach by Executive of Section 7.1 or 7.2, the Company shall be entitled to make

application to a court of competent jurisdiction for equitable relief by way of injunction or otherwise (without being required to post a bond). This provision shall not, however, be construed as a waiver of any of the rights which the Company may have for damages under this Amended Agreement or otherwise, and all of the Company's rights and remedies shall be unrestricted.

8. ARBITRATION AS THE EXCLUSIVE REMEDY.

8.1 ARBITRATION OF ALL DISPUTES. If Executive and the Company cannot resolve a dispute (whether arising in contract or tort or any other legal theory and whether based on federal, state or local statute or common law and regardless of the identities of any other defendants) that in any way relates to or arises out of the employment relationship established herein or the termination thereof (a "Dispute"), then arbitration will be used to settle such Dispute. Because arbitration is generally faster and less expensive than other procedures for resolving disputes, both Executive and the Company agree that the arbitration procedure set forth below will be their exclusive remedy and waive any right to seek legal relief in any other form. In the event that a Dispute involves a claim which either Executive or the Company seeks to assert against a third party, the assertion of such claim against such third party in a court or other tribunal shall not relieve Executive and the Company from their respective obligations to resolve the Dispute between them by arbitration under Section 8. The parties further agree that arbitration shall be their exclusive remedy in the event of any Dispute which involves any third party (including any officer, director or agent of the Company or an affiliate of the Company) provided that such third party consents to participate in and be bound by such arbitration. The only exception to the preceding provisions of Section 8.1 is that the Company may seek provisional relief from any court having jurisdiction in the event of an alleged breach by Executive of Sections 7.1 or 7.2 or any other provision of this Amended Agreement pending a final determination by arbitration, in the event of any claim that would be rendered ineffectual without provisional relief and Executive may seek such provisional relief, pending a final determination by arbitration, in the event of any claim that would be rendered ineffectual without provisional relief. The arbitration will be conducted in accordance with the employment arbitration procedures of the American Arbitration Association ("AAA"), except as modified in this Amended Agreement.

8.2 SELECTION OF ARBITRATORS. Each party shall have the right to designate one arbitrator within ten (10) business days from the date when the party initiating the arbitration files and delivers a notice of intent to arbitrate. If, within that time period, either party has failed to appoint an arbitrator, AAA shall make the appointment. The two arbitrators shall agree upon and designate a third arbitrator within ten (10) business days from the date of the appointment of the last-appointed arbitrator. In the event that the two arbitrators have not designated a third arbitrator within ten (10) business days from the date of the appointment of the last-appointed arbitrator, AAA shall appoint the third arbitrator. After the selection of arbitrators, the parties may mutually agree to used the third arbitrator as the sole arbitrator to resolve their dispute.

8.3 PROCEDURES. The party filing a claim must present it in writing to both the other party and the AAA office in Los Angeles within six months of the date the party filing the claim knew or should have known of it or the Termination Date, whichever

is earlier. Any claim not brought within the required time period will be waived forever. In the arbitration proceedings (i) all testimony of witnesses shall be taken under oath, (ii) it is specifically contemplated and agreed by the parties hereto that the provisions of Section 1283.05 of the Code of Civil Procedure, as presently in force, be incorporated into and made a part of, and be applicable to, the arbitration agreement set forth in this Section 8.3, and (iii) upon conclusion of any arbitration proceedings hereunder, the arbitrators shall render findings of fact and conclusions of law in a written opinion setting forth the basis and reasons for any decision reached and deliver such documents to each party to this Amended Agreement along with a signed copy of the award in accordance with Section 1283.6 of the California Code of Civil Procedure.

Each party hereby agrees that the prevailing party shall be entitled to recover all costs incurred in preparation for and as a result of any such arbitration, including without limitation, filing fees, attorneys' fees, the compensation to be paid to the arbitrators in any such arbitration and costs of transcripts. The arbitrators shall not have power or competence to allocate between the parties in their award any such costs, expenses, fees or share of the arbitrators' compensation, except as provided in the preceding sentence.

9. MISCELLANEOUS.

9.1 EFFECTIVE DATE. The "Effective Date" of this Amended Agreement shall be the consummation of the initial public offering of Common Stock contemplated by the registration statement on Form S-1 filed with the Securities and Exchange Commission on August 21, 2001 (File No. 333-68094) (the "IPO"). If the IPO has not been consummated by August 31, 2002, this Amended Agreement shall terminate and be of no further force and effect. The Employment Agreement shall remain in full force and effect until this Amended Agreement becomes effective.

9.2 JOINT AND SEVERAL OBLIGATIONS. The obligations and promises set forth herein by the Company and Big 5 Corp., including payment obligations, shall be joint and several undertakings of each such party, and, in the event of a breach of any of such obligations or promises, Executive may proceed hereunder against any one or more of such parties without waiving the right to proceed against the other.

9.3 AGREEMENT AUTHORIZED. Executive hereby warrants that Executive is free to enter into this Amended Agreement and to render Executive's services pursuant hereto. The Company and Big 5 Corp. hereby warrant that any required authorization of this Amended Agreement by their respective boards of directors have been obtained.

9.4 COUNSEL. Executive has read and understands this Amended Agreement and has sought the advice of counsel to the extent he has determined appropriate.

9.5 PARTIAL INVALIDITY. If any term or provision of this Amended Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable (other than provisions going to the essence of this Amended Agreement), the remainder of this Amended Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or

unenforceable, shall not be affected thereby, and each such term and provision of this Amended Agreement shall be valid and be enforced to the fullest extent permitted by law.

9.6 NOTICES. Except as otherwise provided herein, all notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally against written receipt or by facsimile transmission or mailed by prepaid first class certified mail, return receipt requested, or mailed by overnight courier prepaid, to the parties at the following addresses or facsimile numbers:

If to the Company, to:

Big 5 Sporting Goods Corporation
Attention: Gary S. Meade
2525 East El Segundo Boulevard
El Segundo, California 90245
Fax #: (310) 297-7592

If to Big 5 Corp., to:

Big 5 Corp.
Attention: Gary S. Meade
2525 East El Segundo Boulevard
El Segundo, California 90245
Fax #: (310) 297-7592

If to Executive, to:

Steven G. Miller
2525 East El Segundo Boulevard
El Segundo, California 90245
Fax #: (310) 297-7595

All such notices, requests and other communications will (a) if delivered personally to the address as provided in this Section 9.6, be deemed given upon delivery, (b) if delivered by facsimile transmission to the facsimile number as provided in this Section 9.6, be deemed given upon receipt, (c) if delivered by mail in the manner described above to the address as provided in this Section 9.6, be deemed given on the earlier of the third business day following mailing or upon receipt and (d) if delivered by overnight courier to the address as provided in this Section 9.6, be deemed given on the earlier of the first business day following the date sent by such overnight courier or upon receipt. Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other parties hereto.

9.7 ENTIRE AGREEMENT. This Amended Agreement sets forth the entire understanding of the parties relating to the subject matter hereof and supersedes any and all prior agreements or understandings between the parties relating to such subject matter. Notwithstanding the foregoing, this Amended Agreement does not supersede the Management Subscription and Stockholders Agreement between Executive and the

Company dated as of November 11, 1997 and it is acknowledged that the parties may enter into other agreements in connection with Executive's employment, including Option agreements.

9.8 SUCCESSORS AND ASSIGNS; NO THIRD PARTY BENEFICIARIES. The Company shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Company, expressly and unconditionally to assume and agree to perform the Company's obligations under this Amended Agreement, in the same manner and to the same extent that the Company would be required to perform if no such succession or assignment had taken place. This Amended Agreement is solely for the benefit of the parties hereto and their respective permitted successors and assigns and no other person or entity shall have any rights under this Agreement; provided, however, it is expressly intended that Executive's estate is a third party beneficiary of this Amended Agreement.

9.9 MODIFICATION AND WAIVER. None of the terms or provisions hereof shall be modified or waived, and this Amended Agreement may not be amended or terminated, except by a written instrument signed by the party against which any modification, waiver, amendment or termination is to be enforced. No waiver of any one provision shall be considered a waiver of any other provision, and the fact that an obligation is waived for a period of time or in one instance shall not be considered to be a continuing waiver.

9.10 CONSTRUCTION AND ASSIGNMENT. This Amended Agreement shall be construed under and governed by the laws of the State of California. This Amended Agreement shall not be assignable by Executive. The terms and conditions of this Amended Agreement shall inure to the benefit of and be binding upon any successor to the business of the Company or Big 5 Corp.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Amended Agreement as of the day and year first written above.

THE COMPANY

Big 5 Sporting Goods Corporation,
a Delaware corporation

By:

Name:

Title:

BIG 5 CORP.

Big 5 Corp.,
a Delaware corporation

By:

Name:

Title:

EXECUTIVE

Steven G. Miller

EXHIBIT 10.18

BIG 5 SPORTING GOODS CORPORATION

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT is made and entered into as of the ____ day of _____, 2002 (the "Agreement"), by and between Big 5 Sporting Goods Corporation, a Delaware corporation (the "Company"), and (the "Indemnitee"), with reference to the following facts.

RECITALS:

A. The Company desires the benefits of having Indemnitee serve as an officer and/or director secure in the knowledge that any expenses, liability and/or losses incurred by him in his good faith service to the Company will be borne by the Company or its successors and assigns.

B. Indemnitee is willing to serve in his position with the Company only on the condition that he be indemnified for such expenses, liability and/or losses.

C. The Company and Indemnitee recognize the increasing difficulty in obtaining liability insurance for directors, officers and agents of a corporation at reasonable cost.

D. The Company and Indemnitee recognize that there has been an increase in litigation against corporate directors, officers and agents.

E. The Company's Restated Certificate of Incorporation and Bylaws allows and requires the Company to indemnify its directors, officers and agents to the maximum extent permitted under Delaware law.

NOW, THEREFORE, the parties hereby agree as follows:

1. Definitions. For purposes of this Agreement:

(a) "Agent" shall mean any person who is or was a director, officer, employee or agent of the Company or a subsidiary of the Company whether serving in such capacity or as a director, officer, employee, agent, fiduciary or other official of another corporation, joint venture, trust or other enterprise at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company.

(b) "Change of Control" shall mean the occurrence of any of the following events after the date of this Agreement:

(i) A change in the composition of the board of directors of the Company (the "Board"), as a result of which fewer than two-thirds of the incumbent directors are directors who either (i) had been directors of the Company twenty-four (24) months prior to such change or (ii) were elected, or nominated for election, to the Board with the affirmative votes of at least a

majority of the directors who had been directors of the Company twenty-four (24) months prior to such change and who were still in office at the time of the election or nomination; or

(ii) Any "person" (as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended) through the acquisition or aggregation of securities is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (the "Capital Stock"); provided, however, that any change in ownership of the Company's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Company.

(c) "Disinterested Director" shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is being sought by Indemnitee.

(d) "Expenses" shall be broadly construed and shall include, without limitation, (a) all direct and indirect costs incurred, paid or accrued, (b) all attorneys' fees, retainers, court costs, transcripts, fees of experts, witness fees, travel expenses, food and lodging expenses while traveling, duplicating costs, printing and binding costs, telephone charges, postage, delivery service, freight or other transportation fees and expenses, (c) all other disbursements and out-of-pocket expenses, including all costs incurred in connection with investigating any Proceeding, (d) amounts paid in settlement, to the extent not prohibited by Delaware Law, and (e) reasonable compensation for time spent by Indemnitee for which he is otherwise not compensated by the Company or any third party, actually and reasonably incurred in connection with or arising out of a Proceeding, including a Proceeding by Indemnitee to establish or enforce a right to indemnification under this Agreement, applicable law or otherwise.

(e) "Independent Counsel" shall mean a law firm or a member of a law firm that neither is presently nor in the past five (5) years has been retained to represent: (a) the Company, an affiliate of the Company or Indemnitee in any matter material to either party or (b) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's right to indemnification under this Agreement.

(f) "Liabilities" shall mean liabilities of any type whatsoever, including, but not limited to, judgments or fines, ERISA or other excise taxes and penalties, and amounts paid in settlement (including all interest, assessments or other charges paid or

payable in connection with any of the foregoing) actually and reasonably incurred by Indemnitee in connection with a Proceeding.

(g) "Delaware Law" means the General Corporation Law of the State of Delaware, as amended and in effect from time to time or any successor or other statutes of Delaware having similar import and effect.

(h) "Proceeding" shall mean any pending, threatened or completed action, hearing, suit or any other proceeding, whether civil, criminal, arbitrative, administrative, investigative or any alternative dispute resolution mechanism, including without limitation any such Proceeding brought by or in the right of the Company.

2. Employment Rights and Duties. Subject to any other obligations imposed on either of the parties by contract or by law, and with the understanding that this Agreement is not intended to confer employment rights on either party which they did not possess on the date of its execution, Indemnitee agrees to serve as a director or officer so long as he is duly appointed or elected and qualified in accordance with the applicable provisions of the Restated Certificate of Incorporation (the "Certificate") and Bylaws (the "Bylaws") of the Company or any subsidiary of the Company and until such time as he resigns or fails to stand for election or until his employment terminates. Indemnitee may from time to time also perform other services at the request, or for the convenience of, or otherwise benefiting the Company. Indemnitee may at any time and for any reason resign or be removed from such position (subject to any other contractual obligation or other obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in any such position.

(a) Directors' and Officers' Insurance.

(i) The Company hereby covenants and agrees that, so long as Indemnitee shall continue to serve as a director or officer of the Company and thereafter so long as Indemnitee shall be subject to any possible Proceeding, the Company, subject to Section 2.1(c), shall maintain directors' and officers' insurance in full force and effect.

(ii) In all policies of directors' and officers' insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits, subject to the same limitations, as are accorded to the Company's directors or officers most favorably insured by such policy.

3. Indemnification; General Agreement. The Company shall indemnify Indemnitee to the fullest extent authorized or permitted by Delaware Law and the provisions of the Certificate and Bylaws of the Company in effect on the date hereof, and as Delaware Law, the Certificate and Bylaws may from time to time be amended (but, in the case of any such amendment, only to the extent such amendment permits the Company to provide broader indemnification rights than Delaware Law, the Certificate and/or Bylaws permitted the Company to provide before such amendment). The right to indemnification conferred in the Certificate shall be presumed to have been relied upon by Indemnitee in serving or continuing to serve the Company as a director or officer and shall be enforceable as a contract

right. Without in any way diminishing the scope of the indemnification provided by the Certificate and this Section 3, the Company shall indemnify Indemnitee if and whenever he is or was a witness, party or is threatened to be made a witness or a party to any Proceeding, by reason of the fact that he is or was an Agent or by reason of anything done or not done, or alleged to have been done or not done, by him in such capacity, against all Expenses and Liabilities actually and reasonably incurred by Indemnitee or on his behalf in connection with the investigation, defense, settlement or appeal of such Proceeding. In addition to, and not as a limitation of, the foregoing, the rights of indemnification of Indemnitee provided under this Agreement shall include those rights set forth in Sections 4, 5, 6 and 7 below.

4. Payment of Expenses.

(a) All Expenses incurred by or on behalf of Indemnitee shall be advanced by the Company to Indemnitee within twenty (20) days after the receipt by the Company of a written request for such advance which may be made from time to time, whether prior to or after final disposition of a Proceeding (unless there has been a final determination by a court of competent jurisdiction that Indemnitee is not entitled to be indemnified for such Expenses). Indemnitee's entitlement to advancement of Expenses shall include those incurred in connection with any Proceeding by Indemnitee seeking a determination, an adjudication or an award in arbitration pursuant to this Agreement. The requests shall reasonably evidence the Expenses incurred by Indemnitee in connection therewith. Indemnitee hereby undertakes to repay the amounts advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified pursuant to the terms of this Agreement.

(b) Notwithstanding any other provision in this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any Proceeding, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee in connection therewith.

5. Procedure for Determination of Entitlement to Indemnification.

(a) Whenever Indemnitee believes that he is entitled to indemnification pursuant to this Agreement, Indemnitee shall submit a written request for indemnification (the "Indemnification Request") to the Company to the attention of the President with a copy to the Secretary. This request shall include documentation or information which is necessary for the determination of entitlement to indemnification and which is reasonably available to Indemnitee. Determination of Indemnitee's entitlement to indemnification shall be made no later than forty-five (45) days after receipt of the Indemnification Request. The President or the Secretary shall, promptly upon receipt of Indemnitee's request for indemnification, advise the Board in writing that Indemnitee has made such request for indemnification.

(b) The Indemnification Request shall set forth Indemnitee's selection of which of the following forums shall determine whether Indemnitee is entitled to indemnification:

(i) A majority vote of Directors who are not parties to the action with respect to which indemnification is sought, even though less than a quorum.

(ii) A written opinion of an Independent Counsel (provided there are no such Directors as set forth in (1) above or if such Directors as set forth in (1) above so direct).

(iii) A majority vote of the stockholders at a meeting at which a quorum is present, with the shares owned by the person to be indemnified not being entitled to vote thereon.

(iv) The court in which the Proceeding is or was pending upon application by Indemnitee.

The Company agrees to bear any and all costs and expenses incurred by Indemnitee or the Company in connection with the determination of Indemnitee's entitlement to indemnification by any of the above forums.

6. Presumptions and Effect of Certain Proceedings. No initial finding by the Board, its counsel, Independent Counsel, arbitrators or the shareholders shall be effective to deprive Indemnitee of the protection of this indemnity, nor shall a court or other forum to which Indemnitee may apply for enforcement of this indemnity give any weight to any such adverse finding in deciding any issue before it. Upon making a request for indemnification, Indemnitee shall be presumed to be entitled to indemnification under this Agreement and the Company shall have the burden of proof to overcome that presumption in reaching any contrary determination. The termination of any Proceeding by judgment, order, settlement, arbitration award or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, (a) adversely affect the rights of Indemnitee to indemnification except as indemnification may be expressly prohibited under this Agreement, (b) create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or (c) with respect to any criminal action or proceeding, create a presumption that Indemnitee had reasonable cause to believe that his conduct was unlawful.

7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines or penalties actually or reasonably incurred in the investigation, defense, appeal or settlement of any Proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled.

8. Remedies of Indemnitee in Cases of Determination not to Indemnify or to Not Advance Expenses.

(a) In the event that (a) an initial determination is made that Indemnitee is not entitled to indemnification, (b) advances for Expenses are not made when and as required by this Agreement, (c) payment has not been timely made following a determination of entitlement to indemnification pursuant to this Agreement or (d) Indemnitee otherwise seeks enforcement of this Agreement, Indemnitee shall be entitled

to a final adjudication in an appropriate court of the State of Delaware of his entitlement to such indemnification or advance. Alternatively, Indemnitee at his sole option may seek an award in arbitration. If the parties are unable to agree on an arbitrator, the parties shall provide JAMS Endispute ("JAMS") with a statement of the nature of the dispute and the desired qualifications of the arbitrator. JAMS will then provide a list of three available arbitrators. Each party may strike one of the names on the list, and the remaining person will serve as the arbitrator. If both parties strike the same person, JAMS will select the arbitrator from the other two names. The arbitration award shall be made within ninety (90) days following the demand for arbitration. Except as set forth herein, the provisions of Delaware Law shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or arbitration award. In any such proceeding or arbitration Indemnitee shall be presumed to be entitled to indemnification under this Agreement and the Company shall have the burden of proof to overcome that presumption.

(b) An initial determination, in whole or in part, that Indemnitee is not entitled to indemnification shall create no presumption in any judicial proceeding or arbitration that Indemnitee has not met the applicable standard of conduct for, or is otherwise not entitled to, indemnification.

(c) If an initial determination is made or deemed to have been made pursuant to the terms of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in the absence of (a) a misrepresentation of a material fact by Indemnitee in the request for indemnification or (b) a specific finding (which has become final) by a court of competent jurisdiction that all or any part of such indemnification is expressly prohibited by law.

(d) The Company and Indemnitee agree herein that a monetary remedy for breach of this Agreement, at some later date, will be inadequate, impracticable and difficult to prove, and further agree that such breach would cause Indemnitee irreparable harm. Accordingly, the Company and Indemnitee agree that Indemnitee shall be entitled to temporary and permanent injunctive relief to enforce this Agreement without the necessity of proving actual damages or irreparable harm. The Company and Indemnitee further agree that Indemnitee shall be entitled to such injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bond or other undertaking in connection therewith. Any such requirement of bond or undertaking is hereby waived by the Company, and the Company acknowledges that in the absence of such a waiver, a bond or undertaking may be required by the court.

(e) The Company shall be precluded from asserting that the procedures and presumptions of this Agreement are not valid, binding and enforceable. The Company shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement and is precluded from making any assertion to the contrary.

(f) Expenses incurred by Indemnitee in connection with his request for indemnification under, seeking enforcement of or to recover damages for breach of this Agreement shall be borne and advanced by the Company.

9. Other Rights to Indemnification. Indemnitee's rights of indemnification and advancement of expenses provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may now or in the future be entitled under applicable law, the Certificate, the Bylaws, an employment agreement, a vote of shareholders or Disinterested Directors, insurance or other financial arrangements or otherwise.

10. Limitations on Indemnification. No indemnification pursuant to Section 3 shall be paid by the Company nor shall Expenses be advanced pursuant to Section 3:

(a) Insurance. To the extent that Indemnitee is reimbursed pursuant to such insurance as may exist for Indemnitee's benefit. Notwithstanding the availability of such insurance, Indemnitee also may claim indemnification from the Company pursuant to this Agreement by assigning to the Company any claims under such insurance to the extent Indemnitee is paid by the Company. Indemnitee shall reimburse the Company for any sums he receives as indemnification from other sources to the extent of any amount paid to him for that purpose by the Company;

(b) Section 16(b). On account and to the extent of any wholly or partially successful claim against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of section 16(b) or the Securities Exchange Act of 1934, as amended, and amendments thereto or similar provisions of any federal, state or local statutory law;

(c) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any Proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such Proceeding was not made in good faith or was frivolous; or

(d) Indemnitee's Proceedings. Except as otherwise provided in this Agreement, in connection with all or any part of a Proceeding which is initiated or maintained by or on behalf of Indemnitee, or any Proceeding by Indemnitee against the Company or its directors, officers, employees or other agents, unless (a) such indemnification is expressly required to be made by Delaware Law, (b) the Proceeding was authorized by a majority of the Disinterested Directors (c) there has been a Change of Control, or (d) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under Delaware Law.

11. Duration and Scope of Agreement; Binding Effect. This Agreement shall continue so long as Indemnitee shall be subject to any possible Proceeding subject to indemnification by reason of the fact that he is or was an Agent and shall be applicable to any Proceeding commenced or continued after execution of this Agreement, whether arising from acts or omissions occurring before, concurrently with or after such execution. This Agreement shall be binding upon the Company and its successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company) and shall inure to the benefit of Indemnitee and his spouse, assigns, heirs, devisees, executors, administrators and other legal representatives.

12. Notice by Indemnitee and Defense of Claims. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any matter which may be subject to indemnification hereunder, whether civil, criminal, arbitrative, administrative or investigative; but the omission so to notify the Company will not relieve it from any liability which it may have to Indemnitee if such omission does not actually prejudice the Company's rights and, if such omission does prejudice the Company's rights, it will relieve the Company from liability only to the extent of such prejudice; nor will such omission relieve the Company from any liability which it may have to Indemnitee otherwise than under this Agreement. With respect to any Proceeding:

(i) The Company will be entitled to participate therein at its own expense;

(ii) Except as otherwise provided below, to the extent that it may wish, the Company jointly with any other indemnifying party similarly notified will be entitled to assume the defense thereof, with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election so to assume the defense thereof and the assumption of such defense, the Company will not be liable to Indemnitee under this Agreement for any attorney fees or costs subsequently incurred by Indemnitee in connection with Indemnitee's defense except as otherwise provided below. Indemnitee shall have the right to employ his counsel in such Proceeding but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof and the assumption of such defense shall be at the expense of Indemnitee unless (iii) the employment of counsel by Indemnitee has been authorized by the Company, (iv) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of such action or that the Company's counsel may not be adequately representing Indemnitee or (v) the Company shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel shall be at the expense of the Company; and

(iii) The Company shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. The Company shall not settle any action or claim which would impose any limitation or penalty on Indemnitee without Indemnitee's written consent. Neither the Company nor Indemnitee will unreasonably withhold its or his consent to any proposed settlement.

13. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Agreement is held by a court of competent jurisdiction to be unavailable to Indemnitee in whole or part, the Company shall, in such an event, after taking into account, among other things, contributions by other directors and officers of the Company pursuant to indemnification agreements or otherwise, and, in the absence of personal enrichment, acts of intentional fraud, dishonesty, disloyalty, willful misconduct or criminal conduct on the part of Indemnitee,

contribute to the payment of Indemnitee's losses to the extent that, after other contributions are taken into account, such losses exceed: (a) in the case of a director of the Company or any of its subsidiaries who is not an officer of the Company or any of such subsidiaries, the amount of fees paid to the director for serving as a director during the twelve (12) months preceding the commencement of the Proceeding; or (b) in the case of a director of the Company or any of its subsidiaries who is also an officer of the Company or any of such subsidiaries, the amount set forth in clause (a) plus five percent (5%) of the aggregate cash compensation paid to said director for service in such office(s) during the twelve (12) months preceding the commencement of the Proceeding; or (c) in the case of an officer of the Company or any of its subsidiaries, five percent (5%) of the aggregate cash compensation paid to such officer for service in such office(s) during the twelve (12) months preceding the commencement of such Proceeding.

14. Miscellaneous Provisions.

(a) Severability; Partial Indemnity. If any provision or provisions of this Agreement (or any portion thereof) shall be held by a court of competent jurisdiction to be invalid, illegal or unenforceable for any reason whatever: (a) such provision shall be limited or modified in its application to the minimum extent necessary to avoid the invalidity, illegality or unenforceability of such provision; (b) the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby; and (c) to the fullest extent possible, the provisions of this Agreement shall be construed so as to give effect to the intent manifested by the provision (or portion thereof) held invalid, illegal or unenforceable. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Expenses or Liabilities of any type whatsoever incurred by him in the investigation, defense, settlement or appeal of a Proceeding but not entitled to all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for such total amount except as to the portion thereof for which it has been determined pursuant to Section 5 hereof that Indemnitee is not entitled.

(b) Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

(c) Interpretation of Agreement. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to Indemnitee to the fullest extent not now or hereafter prohibited by law.

(d) Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

(e) Pronouns. Use of the masculine pronoun shall be deemed to include use of the feminine pronoun where appropriate.

(f) Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties to this Agreement. No waiver of any provision of this Agreement shall be deemed to constitute a waiver of any of the provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver. No waiver of any provision of this Agreement shall be effective unless executed in writing.

(g) Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) sent via facsimile with the transmission and receipt of such facsimile having been confirmed in a reputable manner, or (d) sent via electronic mail with the transmission and receipt of such electronic mail having been confirmed in a reputable manner:

(i) If to Indemnitee, to: _____
_____
_____
_____

Telephone: (___) ___-_____
Fax: (___) ___-_____

(ii) If to the Company to: Big 5 Sporting Goods Corporation
2525 E. El Segundo Boulevard
El Segundo, CA 90245
Attn: Gary S. Meade
Telephone: (310) 536-0611
Fax: (310) 297-7595

With a copy to: Irell & Manella LLP
1800 Avenue of the Stars, Suite 900
Los Angeles, CA 90067
Attn: Andrew W. Gross
Telephone: (310) 277-1010
Fax: (310) 203-7199

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

(h) Governing Law. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware.

(i) Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of California for all purposes in connection with any action or proceeding which arises out of or relates to this agreement and agree that any action instituted under this agreement shall be brought only in the state courts of the State of California.

(j) Entire Agreement. This Agreement represents the entire agreement between the parties hereto, and there are no other agreements, contracts or understanding between the parties hereto with respect to the subject matter of this Agreement, except as specifically referred to herein or as provided in Sections 9 and 2.1 hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

BIG 5 SPORTING GOODS CORPORATION,
a Delaware corporation

By:

Its:

INDEMNITEE

Name:

EXHIBIT 10.19

TERMINATION AGREEMENT

THIS TERMINATION AGREEMENT (this "Agreement") is entered into as of June __, 2002 by and between Big 5 Sporting Goods Corporation, a Delaware corporation formerly known as "Big 5 Holdings Corp." ("Parent"), Big 5 Corp., a Delaware corporation ("Sub" and, together with Parent, the "Companies"), and Leonard Green & Associates, L.P., a Delaware limited partnership ("LGA").

R E C I T A L S

A. LGA and each of the Companies are parties to that certain Management Services Agreement dated as of November 13, 1997 (the "Management Services Agreement"), under which LGA provides (i) management, consulting and financial planning services to the Companies on an ongoing basis in connection with the operation and growth of the Companies and (ii) financial advisory services to the Companies in connection with major financial transactions that may be undertaken from time to time after the date of the Management Services Agreement.

B. Concurrently with the consummation of the initial public offering of shares of common stock of Parent (the date of such consummation, the "Effective Date"), LGA and the Companies wish to terminate the Management Services Agreement on the terms set forth herein.

A G R E E M E N T

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Termination of Management Services Agreement. Effective on payment to LGA of the termination fee described below in immediately available funds, the Management Services Agreement shall terminate in full and be of no further force or effect and, except as provided in Section 2 below, each party hereto shall have no further liabilities or obligations thereunder. As consideration for LGA's agreement to terminate the Management Services Agreement, on the Effective Date, the Companies will pay LGA a termination fee in cash in the amount of $875,000.

2. No Further Accruals of Fees or Expenses. The parties hereto acknowledge that no fees or expenses under the Management Services Agreement shall accrue from and after the Effective Date. The Companies will pay to LGA on or before the thirtieth day following the Effective Date all unpaid fees and expenses due to LGA under the Management Services Agreement that accrued prior to the Effective Date.

3. Miscellaneous.

3.1 Governing Law. This Agreement and the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the

laws of the State of California applicable to contracts made and performed entirely in such state, without regard to principles regarding choice of law or conflicts of laws.

3.2 Successors and Assigns. This Agreement shall inure to the benefit of, and be binding upon, the parties and their respective successors and assigns.

3.3 Counterparts. This Agreement may be executed in two or more counterparts or by facsimile transmission, each of which shall be an original but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized representatives as of the date first written above.

LGA

LEONARD GREEN & ASSOCIATES, L.P.,
a Delaware limited partnership

By:

Jonathan D. Sokoloff
General Partner

PARENT

BIG 5 SPORTING GOODS CORPORATION, INC.
(formerly known as Big 5 Holdings Corp.),
a Delaware corporation

By:

Steven G. Miller
President

SUB

BIG 5 CORP., a Delaware corporation

By:

Steven G. Miller
President

EXHIBIT 10.20

STOCK SUBSCRIPTION AGREEMENT

This Stock Subscription Agreement (this "Agreement") is made as of this 25th day of September, 1992, by and between Big 5 Corporation, a Delaware corporation (the "Company"), and Green Equity Investors, L.P., a Delaware limited partnership (the "Purchaser").

WHEREAS, pursuant to a Purchase and Sale Agreement, dated as of May 22, 1992 (the "Big 5 Agreement"), among Pacific Enterprises, a California corporation, Thrifty Corporation, a California corporation ("Thrifty"), and the Company's wholly-owned subsidiary, Big 5 Holdings, Inc. ("Holdings"), Holdings is acquiring (the "Acquisition"), as of the date of this Agreement by means of a direct purchase, all of the outstanding capital stock of United Merchandising Corp., a California corporation wholly-owned by Thrifty; and

WHEREAS, in order to provide a portion of the funds required by Holdings to consummate the Acquisition, the Company desires to issue and sell to the Purchaser shares of the Company's Common Stock, par value $.01 per share (the "Common Stock"), and the Company's Series A 9% Cumulative Redeemable Preferred Stock, par value $.01 per share (the "Junior Preferred Stock") (collectively, the "Purchase Shares"); and

WHEREAS, the Purchaser desires to acquire the Purchase Shares;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the parties hereto agree as follows:

1. Purchase and Sale of Stock.

(a) The Company is authorized to issue 6,000,000 shares of Common Stock and 500,000 shares of Preferred, of which 250,000 shares have been designated as Junior Preferred Stock. The Junior Preferred Stock has the rights, preferences and privileges, and is subject to the restrictions and limitations, set forth in the Certificate of Designation relating thereto, a copy of which is attached as Annex A hereto. The execution, delivery and performance of this Agreement by the Company has been duly authorized by all necessary corporate action on the part of the Company. Upon the issuance and purchase of the Purchase Shares pursuant hereto, such Purchase Shares shall be duly authorized, validly issued, fully paid and nonassessable.

(b) Subject to all of the terms and conditions of this Agreement, the Purchaser hereby subscribes for and agrees to purchase, and the Company shall sell to the Purchaser, 3,130,080 shares of Common Stock and 131,186 shares of Junior Preferred Stock at a purchase price of $5.00 per share and $100.00 per share, respectively.

(c) Subject to the terms and conditions of this Agreement, the Purchaser shall deliver to the Company, concurrently with the execution and delivery of this

Agreement, the cash amount of Twenty-Eight Million Seven Hundred Sixty-Nine Thousand and NO/100 Dollars ($28,769,000) for the Purchase Shares in the form of a wire transfer of same day federal funds to a bank account specified by the Company or by certified or bank cashier's check payable to the order of the Company.

Promptly following the consummation of the transactions contemplated by the Big 5 Agreement and receipt of the consideration for the Purchase Shares, the Company will deliver to the Purchaser duly issued and authenticated certificates evidencing the Purchase Shares.

The closing of the transaction contemplated by this Agreement is conditioned upon the consummation of the transactions contemplated by the Big 5 Agreement; and, if the transactions contemplated by the Big 5 Agreement are not consummated for any reason, then this Agreement shall be null and void and neither party hereto shall have any obligation to the other in respect hereof, except that the Company shall return to the Purchaser any purchase price for the Purchase Shares theretofore received by the Company.

2. Purchase for Investment.

(a) As used in this Agreement, the term "Stock" includes the Common Stock and the Junior Preferred Stock being acquired by the Purchaser pursuant to this Agreement, and all shares of capital stock of the Company issued as a result of any stock dividend on, or stock split or reclassification or conversion of, any such Purchase Shares, or issued with respect to any such Purchase Shares in connection with any merger or reorganization involving the Company.

(b) The Purchaser represents and warrants to the Company that (i) all Stock purchased or otherwise acquired by it is being or will be acquired by it for its own account for investment, and (ii) it will not sell or otherwise dispose of any Stock except in compliance with the Securities Act of 1933, as amended (the "Act"), the rules and regulations of the Securities and Exchange Commission (the "Commission") thereunder and the terms of this Agreement.

(c) The Purchaser agrees that prior to making any disposition of any Stock (other than a disposition to the Company or to a Related Transferee, as defined below), it will give written notice to the Company describing the manner of such proposed disposition. The Purchaser further agrees that it will not effect such proposed disposition until either (i) such Purchaser has provided to the Company an opinion of counsel satisfactory in form and substance to the Company that such proposed disposition is exempt from registration under the Act and any applicable state securities laws, or (ii) a registration statement under the Act covering such proposed disposition has been filed by the Company under the Act and has become effective and compliance with applicable state securities laws has been effected. The Company agrees that it will respond as promptly as reasonably practicable to any notice of sale given hereunder. The Company will use its best efforts to comply with any such applicable state securities laws, but shall in no event be required, in connection therewith, to qualify to do business in any state where it is not then qualified or to take any action that would subject it to tax or to the general service of process in any state where it is not then subject.

(d) The Purchaser acknowledges that it is familiar with Rule 144, as amended, under the Act, and that it has been advised that Rule 144 permits, only under certain circumstances, the public resale of restricted securities such as the Stock, but that Rule 144 is not currently, and may not in the future become, available to permit public resales by it of any Stock. The Purchaser understands that, to the extent that Rule 144 is not available, it will be unable to sell any Stock without either registration under the Act or the existence of another exemption from such registration requirement. The Company has no obligation to the Purchaser to register any Stock except as expressly provided in Section 4 of this Agreement.

3. Legend on Certificates. Each stock certificate of the Company issued to represent any Stock shall bear the following (or a substantially equivalent) conspicuous legend on the face or reverse side thereof:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY JURISDICTION. SUCH SECURITIES MAY NOT BE OFFERED, SOLD, OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT PURSUANT TO (I) A REGISTRATION STATEMENT WITH RESPECT TO SUCH SECURITIES THAT IS EFFECTIVE UNDER SUCH ACT OR APPLICABLE STATE SECURITIES LAW, OR (II) ANY EXEMPTION FROM REGISTRATION UNDER SUCH ACT, OR APPLICABLE STATE SECURITIES LAW, RELATING TO THE DISPOSITION OF SECURITIES, INCLUDING RULE 144, PROVIDED THAT, EXCEPT AS OTHERWISE PROVIDED IN THE STOCK SUBSCRIPTION AGREEMENT DATED AS OF SEPTEMBER , 1992 AMONG THE COMPANY, THE PURCHASER OF THESE SECURITIES AND GREEN EQUITY INVESTORS, L.P., AN OPINION OF COUNSEL IS FURNISHED, REASONABLY SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY, THAT AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND/OR APPLICABLE STATE SECURITIES LAW IS AVAILABLE.

Any stock certificate issued at any time in exchange or substitution for any certificate bearing such legend (except a new certificate issued upon the completion of a public distribution of Stock represented thereby) shall also bear such legend, unless the restrictions contained in Section 2 of this Agreement are no longer effective and in the opinion of counsel for the Company the Stock represented thereby need no longer be subject to the restrictions contained in Sections 2 and 3 of this Agreement. The provisions of Sections 2, 3 and 4 of this Agreement shall be binding upon, and shall inure to the benefit of, the Purchaser and all subsequent holders of the Stock who acquired the same directly or indirectly from the Purchaser in a transaction or series of transactions not involving any

public offering (collectively with the Purchaser, "Holders"). The Company agrees that it will not transfer on its books any certificate for the Stock in violation of the provisions of this Agreement.

4. Registration Rights.

(a) If the Company receives a request signed by one or more Holders that collectively hold at least 20% of the Common Stock then outstanding (all such persons making such request being hereinafter referred to in this Section 4 as the "Initiating Holders") stating that such Initiating Holders propose to sell or distribute publicly not less than 20% of the Common Stock then outstanding and that such Initiating Holders desire to have such Common Stock registered under the Act in connection with such proposed sale or distribution, the Company shall as soon as practicable use its best efforts to file an appropriate registration statement under the Act covering the Common Stock and the proposed sale or distribution referred to in such notice and to cause such registration to become effective under the Act as soon as practicable after the filing thereof. As promptly as practicable after receiving such request, the Company shall give written notice thereof to all Holders other than Initiating Holders and such other Holders shall, by notice to the Company given within fifteen (15) days after the giving of notice by the Company, be entitled to have any Common Stock which they then propose to sell or distribute publicly registered under such registration statement as if they were Initiating Holders. The Company may include in any such registration statement other shares of Common Stock. The Holders shall not be entitled to make a request pursuant to this subsection (a) on more than two occasions, provided that the registrations so requested are actually effected. With the exception of the initial registration of Common Stock pursuant to the Act, the Company shall not be required to effect a registration pursuant to this subsection (a) (other than on Form S-3 or a similar short form if then permitted) until a period of twelve months shall have elapsed from the effective date of the most recent previous registration which was not effected on Form S-3 or similar short form, unless in the case of a registration, notice of which shall have been given pursuant to subsection (b), any Holder shall have been prevented from including in such previous registration at least 50% of the Common Stock which such Holder requested to have included, in which case such period shall be six months. The right of the Initiating Holders to request a registration of Common Stock pursuant to this subsection (a) shall not apply to any Holder to whom the Company shall deliver an opinion of its counsel that all of the Common Stock which such Holder proposes to sell may lawfully be sold or distributed publicly without registration within a period of six months commencing on the date which is sixty days after the date of such Holder's registration request.

(b) Subject to the provisions herein, if the Company at any time proposes to register any of its securities under the Act, whether or not for sale for its own account, on a form and in a manner which would permit registration of Common Stock for a public offering under the Act (other than registration on Form S-4 or Form S-8 or any successor form thereto), the Company shall give written notice of the proposed registration to each Holder at least 30 days prior to the filing thereof, and each Holder shall have the right to request that all or any part of its Common Stock be included in such registration by giving written notice to the Company within fifteen (15) days after the giving of such notice by the Company (any Holder giving the Company a notice requesting that Common Stock owned

by it be included in such proposed registration being hereinafter referred to in this Section 4 as a "Registering Holder"); provided, however, that (i) if the registration is an underwritten primary registration on behalf of the Company and the managing underwriters of such offering determine that the aggregate amount of securities of the Company which all Registering Holders and all other security holders of the Company, pursuant to contractual rights to participate in such registration ("Other Holders"), propose to include in such registration statement exceeds the maximum amount of securities that should be included therein, the Company will include in such registration, first, the shares which the Company proposes to sell and, second, the Common Stock proposed to be sold by such Registering Holders and Other Holders, pro rata among all such Registering Holders and Other Holders, taken together, on the basis of the relative equity interests in the Company of all Registering Holders and Other Holders who have requested that securities owned by them be so included (it being agreed and understood, however, that such underwriters shall have the right to eliminate entirely the participation in such registration of all Registering Holders and Other Holders), and (ii) if the registration is an underwritten secondary registration on behalf of any of the Other Holders pursuant to demand registration rights and the managing underwriters determine that the aggregate amount of securities which all Registering Holders and all Other Holders propose to include in such registration exceeds the maximum amount of securities that should be included therein, the Company will include in such registration, first, the securities to be sold for the account of the Other Holders demanding registration (but only to the extent such Other Holders are entitled to demand inclusion thereof), second, any securities to be sold for the account of the Company, and, third, the Common Stock of such Registering Holders and Other Holders electing to include (but not being entitled to demand inclusion of) securities in such registration, pro rata among all such Registering Holders and Other Holders, taken together, on the basis of the relative equity interests in the Company of all Registering Holders and such Other Holders who have requested that securities owned by them be included (it being agreed and understood, however, that such underwriters shall have the right to eliminate entirely the participation therein of all such Registering Holders and Other Holders not entitled to demand inclusion of securities in such registration). Common Stock proposed to be registered and sold for the account of any Registering Holder shall be sold to prospective underwriters selected or approved by the Company and on the terms and subject to the conditions of one or more underwriting agreements negotiated between the Company and/or Other Holders demanding registration and the prospective underwriters. The Registering Holders shall be permitted to withdraw all or a part of the shares of Common Stock held by such Registering Holders which were to be included in such registration at any time prior to the effective date of such registration. The Company shall not be required to maintain the effectiveness of the registration statement for such registration beyond the earlier to occur of 120 days after the effective date thereof or consummation of the distribution by the Registering Holders included in such registration statement. The Company may withdraw any registration statement at any time before it becomes effective, or postpone the offering of securities, without obligation or liability to any Holder.

(c) In connection with any registration of Common Stock under the Act pursuant to this Agreement, the Company will furnish each Holder whose Common Stock is registered thereunder with a copy of the registration statement and all amendments thereto and will supply each such Holder with copies of any prospectus included therein (including a preliminary prospectus and all amendments and supplements thereto), in such quantities as

may be reasonably necessary for the purposes of the proposed sale or distribution covered by such registration. The Company shall not, however, be required to maintain the registration statement and to supply copies of a prospectus for a period beyond 120 days after the effective date of such registration statement and, at the end of such period, the Company may deregister any Common Stock covered by such registration statement and not then sold or distributed. In connection with any such registration of Common Stock, the Company will, at the request of the managing underwriters with respect thereto, use its best efforts to qualify such registered shares for sale under the securities laws of such states as is reasonably required to permit the distribution of such registered shares, provided that the Company shall not be required in connection therewith or as a condition thereof to qualify to do business in any state where it is not then qualified or to take any action that would subject it to tax or to the general service of process in any state where it is not then subject.

(d) Notwithstanding any other provision of this Section 4, each Holder agrees that in the event of an underwritten public offering of Common Stock for the account of the Company, such Holder will not (and it shall be a condition to the rights of each Holder and the obligations of the Company under this Section 4 that such Holder does not) offer for public sale (other than as part of such underwritten public offering) any Common Stock during the 10 days prior to and such number of days (not in excess of 180) after the effective date of the registration statement in connection with such public offering as the underwriters and the Company may request in writing, without the consent of the underwriters.

(e) All expenses, disbursements and fees incurred by the Company in connection with carrying out its obligations under this Section 4 shall be borne by the Company; however, each Holder shall pay (i) all costs and expenses of counsel for such Holder, if such counsel is not also counsel for the Company, (ii) all underwriting discounts, commissions and expenses and all transfer taxes with respect to the Common Stock sold by such Holder, and (iii) all other expenses incurred by such Holder and incidental to the sale and delivery of the Common Stock to be sold by such Holder.

(f) It shall be a condition of each Holder's rights hereunder to have Common Stock owned by such Holder registered that:

(i) such Holder shall cooperate with the Company by supplying information and executing documents relating to such Holder or the securities of the Company owned by such Holder in connection with such registration;

(ii) such Holder shall enter into any undertakings and take such other action relating to the conduct of the proposed offering which the Company or the underwriters may reasonably request as being necessary to insure compliance with federal and state securities laws and the rules or other requirements of The National Association of Securities Dealers, Inc. or otherwise to effectuate the offering; and

(iii) such Holder shall execute and deliver an agreement to indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, any underwriter (as

defined in the Act), and each person, if any, who controls the Company or such underwriter within the meaning of the Act, against such losses, claims, damages or liabilities (including reimbursement for legal and other expenses) to which the Company or any such director, officer, underwriter or controlling person may become subject under the Act or otherwise, in such manner as is customary for registrations of the type then proposed and, in any event, equivalent in scope to indemnities given by the Company in connection with such registration, but only with respect to information furnished by such Holder in writing in connection with such registration (and provided further that the foregoing indemnities shall be limited to the aggregate amount of proceeds received by such Holder pursuant to the sale of shares in such registration).

(g) In the event of any registration under the Act of any Common Stock pursuant to this Section 4, the Company hereby agrees to indemnify and hold harmless each Holder disposing of such Common Stock against such losses, claims, damages or liabilities (including reimbursement for legal and other expenses) to which such Holder may become subject under the Act or otherwise, in such manner as is customary for registrations of the type then proposed, but not with respect to information furnished by such Holder in writing in connection with such registration.

5. Notices. All notices or other communications under this Agreement shall be given in writing and shall be deemed duly given and received on the third full business day following the day of the mailing thereof by registered or certified mail, return receipt requested, or when delivered personally or sent by facsimile transmission (if a confirmation of transmission is retained) as follows:

(a) if to the Company, at its principal executive offices at the time of the giving of such notice, or at such other place as the Company shall have designated by notice as herein provided to the Purchaser;

(b) if to the Purchaser at its address at the time of the giving of such notice, or at such other place as the Purchaser shall have designated by notice as herein provided to the Company; and

(c) if to any other Holder, at such Holder's last address appearing in the Company's stock transfer records.

6. Specific Performance. Due to the fact that the securities of the Company cannot be readily purchased or sold in the open market, and for other reasons, the parties will be irreparably damaged in the event that this Agreement is not specifically enforced. In the event of a breach or threatened breach of the terms, covenants and/or conditions of this Agreement by any party hereto, the other party shall, in addition to all other remedies, be entitled (without any bond or other security being required) to a temporary and/or permanent injunction, without showing any actual damage or that monetary damages would not provide an adequate remedy, and/or a decree for specific performance, in accordance with the provisions hereof.

7. Miscellaneous.

(a) This writing constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be modified or amended except by a written agreement signed by the Company and the Purchaser. Anything in this Agreement to the contrary notwithstanding (and without limiting the rights of the owners of all of the then outstanding Stock acquired hereunder to amend, modify or terminate this Agreement), any modification or amendment of this Agreement by a written agreement signed by, or binding upon, the Purchaser shall be valid and binding upon any and all persons or entities who may, at any time, have or claim any rights under or pursuant to this Agreement (including all Holders hereunder) in respect of the Stock originally acquired by the Purchaser.

(b) No waiver of any breach or default hereunder shall be considered valid unless in writing, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature. Anything in this Agreement to the contrary notwithstanding, any waiver, consent or other instrument under or pursuant to this Agreement signed by, or binding upon, a Purchaser shall be valid and binding upon any and all persons or entities (other than the Company) who may, at any time, have or claim any rights under or pursuant to this Agreement (including all Holders hereunder) in respect of the Stock originally acquired by the Purchaser.

(c) Except as otherwise expressly provided herein, this Agreement shall be binding upon and inure to the benefit of the Company and the Purchaser and their respective successors and assigns; provided, however, that (i) nothing contained herein shall be construed as granting to the Purchaser the right to transfer any of its Stock except in accordance with this Agreement, and (ii) the Purchaser shall no longer be deemed a Purchaser or Holder hereunder after it ceases to own any Stock.

(d) If any provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Agreement, and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained herein.

(e) Should any party to this Agreement be required to commence any litigation concerning any provision of this Agreement or the rights and duties of the parties hereunder, the prevailing party in such proceeding shall be entitled, in addition to such other relief as may be granted, to the attorneys' fees and court costs incurred by reason of such litigation.

(f) The section headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of said sections.

(g) Each party hereto shall cooperate and shall take such further action and shall execute and deliver such further documents as may be reasonably requested by any other party in order to carry out the provisions and purposes of this Agreement.

(h) This Agreement may be executed in counterparts, all of which taken together shall be deemed one original.

(i) This Agreement shall be deemed to be a contract under the laws of the State of California and for all purposes shall be construed and enforced in accordance with the internal laws of said state without regard to the principles of conflicts of law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

BIG 5 CORPORATION, a Delaware corporation

By: _____
Its: _____

GREEN EQUITY INVESTORS, L.P.

By: _____
Its: _____

EXHIBIT 10.21

[THE CIT GROUP LETTERHEAD]

April 17, 1996

United Merchandising Corp.
2525 East El Segundo Boulevard
El Segundo, CA 90245

Dear Sirs:

We refer to the Financing Agreement, dated March 8, 1996, between you and the undersigned (herein the "Agreement"). Capitalized terms not otherwise defined herein shall be as defined in the Agreement. The Agreement provides for the sale by the undersigned of its rights and obligations under the Agreement to other lenders. As of the date hereof, CITBC is the only Lender to the Agreement. In order to correct certain typographical errors, to further clarify issues and to make the Agreement more attractive to other lenders, the Agreement is hereby amended, effective April 17, 1996, as follows:

1. The period (.) at the end of the definition of "Current Liabilities" in Section 1 of the Agreement is hereby deleted and the phrase "shall not be considered current." is hereby substituted in lieu thereof;

2. The name "CITBC" in the third line of the definition of "Default Rate of Interest" in Section 1 of the Agreement is hereby deleted and the phrase "the Agent, on behalf of the Lenders," is hereby substituted in lieu thereof;

3. The name "CITBC" in the fourth line of the definition of "Default Rate of Interest" in Section 1 of the Agreement is hereby deleted and the phrase "the Lenders" is hereby substituted in lieu thereof;

4. The name "CITBC" in the third line of the definition of "Designated Sale - Leaseback Property" in Section 1 of the Agreement is hereby deleted and the phrase "the Agent" is hereby substituted in lieu thereof;

5. The name "CITBC" in the first line of the definition of "Line of Credit Fee" in Section 1 of the Agreement is hereby deleted and the phrase "the Agent" is hereby substituted in lieu thereof;

6. The semi-colon (;) at the end of sub-clause b in clause ix in the definition of "Permitted Encumbrances" in Section 1 of the Agreement is hereby deleted and the following is hereby substituted in lieu thereof:

"provided, however, that any Inventory subject to the lien permitted by this clause ix shall not be considered Eligible Inventory until such lien is terminated;";

7. The last sentence in paragraph 1 of Section 3 of the Agreement is hereby deleted and the following is hereby substituted in lieu thereof:

"Should the Company request advances in excess of the limitations set forth herein, such advances shall be considered "Overadvances" and, subject to the provisions of paragraph 10 of Section 12 of this Financing Agreement, shall be made by the Agent only with the consent of the Required Lenders and in the sole discretion of the Required Lenders, subject to any additional terms the Required Lenders or, if applicable, all Lenders, deem necessary.";

8. The word "no" in the penultimate line of paragraph 5 of Section 3 of the Agreement is hereby deleted and the word "any" is hereby substituted in lieu thereof;

9. The period (.) after the word "Agent" in the third to last line of paragraph 6 of Section 3 of the Agreement is hereby deleted;

10. The phrase "or its" in the second and eighth lines of paragraph 2 of Section 6 of the Agreement is hereby deleted and the phrase", accompanied by the Lenders or their respective" is hereby substituted in lieu thereof;

11. On the seventh line of paragraph 2 of Section 6 of the Agreement and immediately after the word "Agent's" and before the word "expense" the phrase "and the applicable Lender's" is hereby inserted;

12. The word "it" in the tenth line of paragraph 2 of Section 6 of the Agreement is hereby deleted and the phrase "the Agent" is hereby substituted in lieu thereof;

13. The word "Agent" in sub-paragraph k of paragraph 1 of Section 9 of the Agreement is hereby deleted and the phrase "Required Lenders" is hereby substituted in lieu thereof;

14. The word "discretion" in the first line of Section 10 of the Agreement is hereby deleted and the word "direction" is hereby substituted in lieu thereof;

15. The phrase "which consent shall not be unreasonably withheld," is hereby inserted immediately after the word "Agent" in the second line of paragraph 5(a) of Section 11 of the Agreement;

16. Immediately after the name "Dai-Ichi-Kangyo Bank" in the ninth line of paragraph 6 of Section 11 of the Agreement, the phrase "and in the case of any other Lender, to such other Lender's parent organization," is hereby inserted;

17. The last sentence of paragraph 8 of Section 11 of the Agreement is hereby deleted and the following is hereby substituted in lieu thereof;

"The provisions of this paragraph shall not apply to any i) suits, actions, proceedings or claims that are unrelated, directly or indirectly, to this Financing Agreement or ii) costs, fees, expenses or disbursements resulting solely from the gross negligence or wilful misconduct of the Agent or any Lender.";

18. The semi-colon (;) at the end of clause i in paragraph 10 of Section 11 of the Agreement is hereby deleted and the phrase "which consent shall not be unreasonably withheld;" is hereby substituted in lieu thereof;

19. The phrase "inventory confirmation statements, Collateral examinations and/or reviews," is hereby inserted immediately after the word "all" in the third to last line of paragraph 6 of Section 12 of the Agreement;

20. The following sentence is hereby added at the end of paragraph 6 of Section 12 of the Agreement:

"Further, the Agent shall use reasonable efforts to give the Lenders reasonable prior notice of the date of the Agent's visit to the Company's premises for purposes of inspecting the Collateral and books and records pertaining thereto.";

21. Clause v in the third line of paragraph 10 of Section 12 of the Agreement is hereby deleted and the following is hereby substituted in lieu thereof:

"v) increase the rate of advance against Eligible Inventory as set forth in paragraph 1 of Section 3 of this Financing Agreement or increase the Line of Credit;"

22. The phrase "In all other respects" on the thirteenth line of paragraph 10 of Section 12 of the Agreement is hereby deleted and the following is hereby substituted in lieu thereof;

"In all other respects and except as otherwise specifically provided to the contrary in this Financing Agreement,"; and

23. The phrase "the making of an overadvance or" in the third to last line of paragraph 10 of Section 12 of the Agreement is hereby deleted.

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/ [SIGNATURE ILLEGIBLE]

Title: Vice President

Read and Agreed to:

UNITED MERCHANDISING CORP.

By /s/ CHARLES P. KIRK

Title: Sr. Vice President & CFO

EXHIBIT 10.22

[THE CIT GROUP LETTERHEAD]

August 11, 1997

United Merchandising Corp.
2525 East El Segundo Boulevard.
El Segundo, CA 90245

Dear Sirs:

We refer to the Financing Agreement, dated March 8, 1996 (as amended, the "Agreement") between United Merchandising Corp., as borrower (the "Company") and The CIT Group/Business Credit, Inc., as agent and lender (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. All references to the "Chemical Bank Rate" and to "Chemical Bank" in the Agreement are hereby deleted in every instance where they appear, and "Chase Manhattan Bank Rate" and "The Chase Manhattan Bank", respectively, are inserted in lieu thereof.

2. The first 2 sentences of paragraph 1 of Section 7 are hereby deleted, and the following are inserted in lieu thereof:

Interest on the Revolving Loans (other than Libor Loans) shall be payable monthly as of the end of each month and shall be an amount equal to the sum of the Chase Manhattan Bank Rate and the applicable following percentage:

i) 0.75%, if the Company's EBITDA (as evidenced by the most recent fiscal quarter's financial statement) for the four fiscal quarters then ended, is equal to or less than $20,000,000;

ii) 0.50%, if the Company's EBITDA (as evidenced by the most recent fiscal quarter's financial statement) for the four fiscal quarters then ended, is between $20,000,001 and $25,000,000;

iii) 0.25%, if the Company's EBITDA (as evidenced by the most recent fiscal quarter's financial statement) for the four fiscal quarters then ended, is between $25,000,001 and $30,000,000;

iv) 0.00%, if the Company's EBITDA (as evidenced by the most recent fiscal quarter's financial statement) at the end of each fiscal quarter for the four fiscal quarters then ended, is equal to or greater than $30,000,000;

in all instances the applicable percentage will become effective the month following receipt of the financial statements (and the date of this letter) and will be computed on a per annum basis, on the average of the net balances (other than Libor Loans) owing by the Company in the Company's account at the close of each day during such month. Interest on the Revolving Loans which are Libor Loans shall be payable monthly as of the end of each month and shall be an amount equal to the sum of the

applicable Libor on each then outstanding Revolving Loan which is a Libor Loan and the applicable following percentage:

i) 2.50%, if the Company's EBITDA (as evidenced by the most recent fiscal quarter's financial statement) for the four fiscal quarters then ended, is equal to or less than $20,000,000;

ii) 2.25%, if the Company's EBITDA (as evidenced by the most recent fiscal quarter's financial statement) for the four fiscal quarters then ended, is between $20,000,001 and $25,000,000;

iii) 2.00%, if the Company's EBITDA (as evidenced by the most recent fiscal quarter's financial statement) for the four fiscal quarters then ended, is between $25,000,001 and $30,000,000;

iv) 1.75%, if the Company's EBITDA (as evidenced by the most recent fiscal quarter's financial statement) fiscal quarter for the four fiscal quarters then ended, is between $30,000,001 and $35,000,000;

v) 1.50%, if the Company's EBITDA (as evidenced by the most recent fiscal quarter's financial statement) for the four fiscal quarters then ended, is equal to or greater than $35,000,000;

in all instances the applicable percentage will become effective the month following receipt of the financial statements (and the date of this letter) and will be computed on a per annum basis, on the average of the net balances owing by the Company on such Libor Loan at the close of each day during such month.

3. The definition of "Early Termination Date" is hereby amended by deleting the word "third" and inserting the word "fifth" in lieu thereof.

4. The definition of "Early Termination Fee" is hereby amended by deleting the word "third" wherever it appears and inserting the word "fifth" in lieu thereof.

5. The word "third" set forth in the first sentence of Section 10 is hereby deleted, and the worth "fifth" is inserted in lieu thereof.

6. Notwithstanding 3, 4 and 5 above, in the event a Material Ownership Change (defined as Green Equity Investors, L.P. decreasing their common stock holdings in the Company to less than twenty-five percent (25%)) occurs prior to June 30, 1998, then the amendments set forth in 3, 4 and 5 above will have no force and effect.

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:

United Merchandising Corp.

By: /s/ CHARLES P. KIRK

Charles P. Kirk
Title: Senior Vice President & Chief Financial Officer

BT Commercial Corporation (as Lender)

By: /s/ [SIGNATURE ILLEGIBLE]

Title: Senior Vice President

National Bank of Canada (as Lender)

By: /s/ [SIGNATURES ILLEGIBLE]

Title: VICE PRESIDENT VP

Sanwa Business Credit Corporation (as Lender)

By: /s/ [SIGNATURE ILLEGIBLE]

Title: First Vice President

Transamerica Business Credit (as Lender)

By: /s/ [SIGNATURE ILLEGIBLE]

Title: Senior Account Executive

EXHIBIT 23.1

The Board of Directors
Big 5 Sporting Goods Corporation:

The audits referred to in our report dated March 1, 2002, except as to note 17 which is as of May 31, 2002, included the related financial statement schedule as of December 30, 2001 and for each of the fiscal years ended December 30, 2001, December 31, 2000 and January 2, 2000 included in the registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

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
June 4, 2002

EXHIBIT 99.1

BIG 5 SPORTING GOODS CORPORATION

CONSENT TO SERVE ON BOARD OF DIRECTORS

THE UNDERSIGNED hereby consents to serve as a Director on the Board of Directors of Big 5 Sporting Goods Corporation (the "Company") effective upon the Company's consummation of its initial public offering of common stock contemplated by the Registration Statement on Form S-1 (File No. 333-68094) currently on file with the Securities and Exchange Commission (the "Form S-1"). The undersigned acknowledges that the Company may state that the undersigned will become a Director and provide biographical information approved by the undersigned in connection with the Form S-1 and with customary corporate communications and documents.

Dated: April 30, 2002

/s/ SANDRA N. BANE
- ---------------------------------
Sandra N. Bane

EXHIBIT 99.2

BIG 5 SPORTING GOODS CORPORATION

CONSENT TO SERVE ON BOARD OF DIRECTORS

THE UNDERSIGNED hereby consents to serve as a Director on the Board of Directors of Big 5 Sporting Goods Corporation (the "Company") effective upon the Company's consummation of its initial public offering of common stock contemplated by the Registration Statement on Form S-1 (File No. 333-68094) currently on file with the Securities and Exchange Commission (the "Form S-1"). The undersigned acknowledges that the Company may state that the undersigned will become a Director and provide biographical information approved by the undersigned in connection with the Form S-1 and with customary corporate communications and documents.

Dated: June 3, 2002

/s/ G. MICHAEL BROWN
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G. Michael Brown