FORM S-3

Registration statement for specified transactions by certain issuers

Filing Date: **1996-12-30**
SEC Accession No. 0000950134-96-007110

FILER

BEC GROUP INC

CIK:**1008114**| IRS No.: **133868804** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-3** | Act: **33** | File No.: **333-18947** | Film No.: **96687381**
SIC: **5047** Medical, dental & hospital equipment & supplies

Mailing Address
555 THEODORE FREMD AVENUE
RYE NY 10580

Business Address
555 THEODORE FREMD AVE
RYE NY 10580
9149679400

As filed with the Securities and Exchange Commission on December 27, 1996

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

BEC GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	5048	13-3868804
(State or other jurisdiction of incorporation)	(Primary Standard Industrial Classification Code Number)	(I.R.S.Employer Identification No.)

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555 Theodore Fremd Avenue
Rye, New York 10580
(914) 967-9400
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

MARTIN E. FRANKLIN
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
BEC GROUP, INC.
555 THEODORE FREMD AVENUE
RYE, NEW YORK 10580
(914) 967-9400
(Name and address, including zip code, and telephone number, including area code, of agent for service)

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with copies to:
Robert L. Lawrence, Esq.
Kane Kessler, P.C.
1350 Avenue of the Americas
26th Floor
New York, New York 10019
(212) 541-6222

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as possible after the effective date of this Registration Statement.

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. [x].....

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.[ ].....

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ].....

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act of 1933, please check the following box. [ ].....

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit(1)	Proposed maximum aggregate offering price(1)	Amount of registration fee
<S>	<C>	<C>	<C>	<C>
8% Convertible Subordinated Notes Due 2002.....	$21,045,565	100%	$21,045,565	$6,377.44
Common Stock, par value $.01 per share.....	6,000,000(2)	$4.375(2)	$10,281,250(2)	$3,115.53
Total Registration Fee.....				$9,492.97

</TABLE>

(1) Estimated solely for purposes of determining the registration fee pursuant to Rule 457 under the Securities Act of 1933.

(2) Pursuant to 457(i), the Registrant is also registering hereby such indeterminate number of shares of Common Stock as may be issuable upon conversion of the Notes being registered hereunder, without any additional consideration to be received in connection with such conversion, the total of which shares of Common Stock is not anticipated to exceed 3,650,000. The Registrant additionally is registering hereby the maximum number of shares of Common Stock issuable by the Registrant, at its option, in lieu of interest payments otherwise payable under the Notes in the form of cash; the number of such shares is not anticipated to exceed 2,350,000. The calculation of the filing fee is calculated with reference to such 2,350,000 shares and is based upon the average bid and ask prices on December 20, 1996.

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 that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED _____, 199_

$21,045,565
8% CONVERTIBLE SUBORDINATED NOTES DUE 2002

-AND-

6,000,000 SHARES OF COMMON STOCK

BEC GROUP, INC.

This Prospectus relates to (i) the registration for resale of up to $21,045,565 aggregate principal amount of 8% Convertible Subordinated Notes due May 2002 (the "Notes") of BEC Group, Inc. (the "Company"), (ii) the registration for resale of up to 6,000,000 shares (the "Shares") of common stock, par value $.01 per share (the "Common Stock"), of the Company issuable upon conversion of the Notes and issuable in lieu of interest payments in the form of cash and (iii) the offering of the Shares by the Company to transferees, pledgees, donees or successors of the holders of the Notes named herein. The Notes were issued and sold by the Company on May 3, 1996 (the "Original Offering"), in transactions exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The Notes and the Shares may be offered and sold from time to time by the holders named herein or by their transferees, pledgees, donees or their successors (collectively, the "Selling Securityholders") pursuant to this Prospectus. See "SELLING SECURITYHOLDERS." The Company will not receive any of the proceeds from any sale of the Notes or Shares by the Selling Securityholders. See "USE OF PROCEEDS."

The Notes mature on May 3, 2002 and bear interest which is compounded semi-annually on May 3 and November 3 of each year. The Notes are convertible into shares of Common Stock at any time prior to maturity, unless previously redeemed, at a conversion price of $5.75 per share, subject to adjustment in certain events as described in the Indenture. The Notes are subordinated in right of payment to all existing and future Senior Indebtedness (as defined herein) of the Company and are effectively subordinated to all existing and future liabilities and obligations of the Company's subsidiaries. As of December 12, 1996, the total principal amount of Senior Indebtedness of the Company and liabilities and obligations of the Company's subsidiaries (excluding intercompany indebtedness) that would have effectively ranked senior to the Notes was approximately $20 million. The Notes are redeemable, in whole or in part, at the option of the Company at any time on or after May 3, 1998, at the applicable redemption price set forth in the Notes plus accrued interest to the date fixed for redemption. No

sinking fund is provided for the Notes. In addition, following the occurrence of a Change of Control (as defined herein), each holder has the right to cause the Company to purchase the Notes. See "DESCRIPTION OF THE NOTES."

The Registration Statement to which this Prospectus is a part has been filed with the Securities and Exchange Commission pursuant to a Registration Rights Agreement dated as of May 3, 1996 (the "Registration Agreement") by and among the Company and each of the holders of the Notes executing a signature page thereto, entered into in connection with the Original Offering. The Company is paying all the expenses of registering the Notes and Shares under the Securities Act (including filing, legal, accounting and miscellaneous expenses in connection with the registration but excluding underwriting discounts and commissions and transfer taxes, if any, relating to the sale of the Notes and Shares).

The outstanding Common Stock of the Company is listed on the New York Stock Exchange (the "NYSE") under the symbol "EYE". On December 20, 1996, the last reported sale price of the shares of Common Stock on the NYSE was $4.625 per share. See "Market Prices of Common Stock." Thus far, there has not been any public market for the Notes. Pursuant to the Registration Agreement, the Company will use its best efforts to cause the Shares to be listed on each securities exchange on which similar securities issued by the Company are then listed or listed on the National Association of Securities Dealers, Inc. Automated Quotation System. There can be no assurance that an active trading market for the Notes will ever develop.

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. FOR A DISCUSSION OF CERTAIN MATERIAL RISKS TO BE CONSIDERED IN EVALUATING AN INVESTMENT IN THE SECURITIES OFFERED HEREBY, SEE "RISK FACTORS", WHICH BEGINS ON PAGE 15.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES

AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is December __, 1996.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission pursuant to the Exchange Act are incorporated herein by reference:

1. The 1995 Annual Report to Stockholders of the Company;

2. The Form 10-K of Benson Eyecare Corporation for the year ended December 31, 1995;

3. All reports filed by the Company pursuant to Section 13(a) or 15(d) of the Exchange Act since December 31, 1995, consisting of the Company's Quarterly Report on Form 10-Q for the fiscal quarters ended, March 31, 1996, June 30, 1996, and September 30, 1996, the Company's Amended Quarterly Report on Form 10-Q/A for the fiscal quarter ended September 30, 1996, the Company's Current Report on Form 8-K (Date of Event - May 20, 1996 (reporting the Company's offer to acquire ILC Technologies, Inc.)), the Company's Current Report on Form 8-K (Date of Event - June 7, 1996 (reporting the spin-off of the Company by Benson Eyecare Corporation and filing the audited restated financial statements of the Company)), and the Company's Current Report on Form 8-K (Date of Event - July 30, 1996 (reporting the Company's intent to divest the Foster Grant Group)); and

4. The description of the Common Stock contained in the Company's Registration Statement on Form 8-A, dated April 29, 1996.

All reports and other documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Notes and Shares shall be deemed incorporated by reference in this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated herein by reference, or contained in this Prospectus, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed to constitute a part of this Prospectus except as so modified.

The Company will provide without charge to each person, including any beneficial owner of the Notes and the Shares, to whom a copy of this Prospectus is delivered, upon the written or oral request of any such person, a copy of any or all of the information that is incorporated herein by reference (not including exhibits to the information that is incorporated by reference unless such exhibits are specifically incorporated by reference into the information that the Prospectus incorporates). Requests for such copies should be directed to: BEC Group, Inc., 555 Theodore Fremd Avenue, Suite B-302, Rye, NY 10580, telephone number (914) 967-9400.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in the Prospectus or incorporated by reference herein. As used in the Prospectus, unless otherwise indicated or the context otherwise requires, the terms the "Company" and "BEC Group" refer to BEC Group, Inc. and its consolidated subsidiaries.

THE COMPANY

BEC Group, Inc., a Delaware corporation (the "Company" or "BEC Group"), was incorporated on December 28, 1995, as a wholly-owned subsidiary of Benson Eyecare Corporation, a Delaware corporation ("Benson'), in connection with the Merger (as defined below), pursuant to which Benson stockholders received all of the outstanding shares of Common Stock of the Company in a pro rata distribution (the "Spinoff"). The Spinoff and Merger ("Merger") of Essilor Acquisition Corporation with and into Benson occurred on May 3, 1996 (the "Effective Date"). On May 3, 1996, Benson also consummated the sale to Monsanto Company of the assets of its Orcolite ophthalmic lens manufacturing operation (the "Asset Sale"). Prior to the Spinoff, Benson contributed to the Company all of the assets of its then non prescription eyewear and optics related businesses and the Company assumed all of the liabilities of Benson's non prescription eyewear and optics related businesses.

On November 13, 1996, the Company entered into a definitive agreement to sell to Foster Grant Holdings, Inc. ("Holdings") all of the issued and outstanding shares of capital stock of the entities comprising Foster Grant Group, L.P. ("FGG"). Holdings, a recently-formed Delaware corporation, is a wholly owned subsidiary of Accessories Associates, Inc. ("AAi"), a Rhode Island corporation. FGG is a leading distributor of popular-priced sunglasses and non-prescription reading glasses in the United States.

The sale of FGG was completed on December 12, 1996. At closing, the Company received $29 million in cash and 100 shares of Holdings' non-voting preferred stock with a maximum redemption value of $6 million (the "Preferred Stock"). By agreement with AAi, the Company may, at its option, exchange the Preferred Stock for shares of AAi common stock if AAi completes an initial public offering ("IPO") at any time within three (3) years of closing. Upon any such exchange, the Company will receive the number of shares of AAi common stock equal to $6 million divided by 85% of the IPO offering price, as set forth in AAi's final IPO prospectus. Any such shares of AAi common stock will not be registered, but will bear "piggyback" registration rights. If the Preferred Stock is not converted, it will be redeemed by Holdings on or before February 28, 2000 for up to $6 million, based on the FGG's net sales

for the year ended December 31, 1999. The Company recorded the Preferred Stock at its minimum value of $1 million. The cash consideration of $29 million was used to pay down the Company's credit facility and pay transaction expenses. The results of operations for FGG and the Dallas Corporate Headquarters, which is being closed in connection with the sale of FGG, are presented as discontinued operations of the Company. The assets of FGG and the Prescription Eyewear Business, net of liabilities, are presented as investment in discontinued operations at September 30, 1996 and December 31, 1995. A loss of $25.8 million including transaction expenses and phase-out period losses, net of taxes, was recorded on the sale of FGG as of July 30, 1996, the measurement date.

Following the divestiture of its prescription eyewear business in May 1996 in connection with the Merger and the sale of FGG in December 1996 , the Company has two core businesses: the Optical Technologies Group which supplies lighting, electronic, and electroformed products to a diverse customer base and Bolle America, the exclusive marketer and distributor of Bolle(R) premium sunglasses, sport shields and goggles in the US, Mexico and Costa Rica. In addition, BEC Group owns approximately 23% of Eyecare Products plc, a London Stock Exchange Company.

Optical Technologies Group. The Optical Technologies Group manufactures and markets lighting, electronic and electroformed products to a diverse customer base.

ORC Lighting Products designs and manufactures xenon and mercury-xenon short-arc lamps that are used in high intensity illumination systems and mini-systems that incorporate lamps, optics and electronic componentry. Three primary markets are addressed by ORC Lighting Products: industrial, medical and cinema. Lamps for the industrial market are used in photo exposure systems, specialty lighting applications and in various other high technology equipment. The medical market is serviced with fiber optic illumination components and systems used with medical endoscopes as illumination for diagnostic and minimally invasive surgical procedures. Products include a specially designed ceramic lamp with integral parabolic reflector, optical components, power supply and fiber optic illumination systems. The business supports the world wide cinema market with a wide range of short-arc xenon lamps.

ORC Electronic Products manufactures photoexposure systems, including the Opti-Bean(R) and ProForm(TM) lines, incorporating the Company's proprietary technology. These highly sophisticated systems are used in the production of high density, fine-line circuit boards, microcircuits, flexible circuits and flat panel displays. The business has focused on the upper end of the market where its proprietary optics technology, vision alignment systems and superior material handling capabilities allow for imaging fine line circuitry with exceptional throughput.

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ORC Electroformed Products supplies a wide range of electroformed products to third party customers. Its products include electroformed nickel and copper components such as cold shields, flashlight and search light reflectors, abrasion resistant shields for use on airplane and helicopter propellers and rotor blades and highly polished spheres, parabolas and ellipses for industrial uses and tooling used in the manufacture of hard resin and polycarbonate ophthalmic lenses.

Bolle America co-designs, markets and distributes premium sunglasses, sport shields and ski goggles in the United States, Mexico and Costa Rica. Bolle America holds certain U.S. rights to the Bolle(R) trademark and related trademarks and has the exclusive right to sell products bearing the Bolle(R) trademark in the United States, Mexico and Costa Rica, under a distributorship agreement with Bolle Etablissements S.N.C. ("Bolle France"). Retail markets for Bolle America's sunglasses, sport shields and ski goggles cover a wide spectrum of purchasers.

The Company owns approximately 23% of Eyecare Products, plc, a London Stock Exchange company, after selling, in November 1996, 15% of its interest in Eyecare Products and granting an option for the purchaser to acquire the Company's remaining interest in Eyecare Products over the next two years. The Company will continue to account for its investment in Eyecare Products by the equity method.

For the year ended December 31, 1995, Bolle America sales accounted for approximately 40% of continuing operations sales and the Optical Technologies Group accounted for approximately 60% of continuing operations sales.

An investment in the Notes and Shares is subject to various risks. See "RISK FACTORS."

The Company's principal executive offices are located at 555 Theodore Fremd Avenue, Rye, New York, 10580. Its telephone number is (914) 967-9400.

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THE OFFERING

SECURITIES OFFERED:	
Common Stock outstanding at December 20, 1996(1).....	17,647,260 shares
Notes being offered.....	$21,045,565
Maximum number of Shares being offered.....	6,000,000
NOTE TERMS:	
The Notes.....	$21,045,565 aggregate principal amount of 8% Convertible Subordinated Notes Due 2002 (the "Notes").
Maturity.....	The Notes will mature on May 3, 2002 unless earlier redeemed or converted.
Interest.....	Interest on the Notes at the rate of 8% per annum shall be compounded semi-annually on May 3 and November 3 of each year.
Conversion Rights.....	The Notes are convertible into Common Stock of the Company at the option of the holder at any time prior to maturity, unless previously redeemed, at a conversion price of $5.75 per share, subject to adjustment in certain events. See "DESCRIPTION OF NOTES -- Conversion Rights."
Redemption at the Option of the Company.....	Subsequent to May 3, 1998 the Company may, upon at least 30 days notice, redeem the Notes, in whole or in part, at the applicable redemption prices, together with accrued interest thereon. See "DESCRIPTION OF NOTES -- Redemption."

Change of Control.....	The Notes are required to be repurchased at 101% of their principal amount together with accrued and unpaid interest thereon, at the option of the holder, if a Change of Control (as defined herein) occurs. See "DESCRIPTION OF NOTES -- Change of Control" and, "RISK FACTORS - Limitations on Change of Control Purchase Option."
Subordination.....	The Notes are unsecured obligations of the Company and are subordinated in right of payment to all existing and future Senior Indebtedness (as defined herein) of the Company and

	effectively subordinated to all existing and future liabilities and obligations of the Company's subsidiaries. As of December 20, 1996, the amount of liabilities and obligations of the Company and its subsidiaries (excluding intercompany indebtedness) that would have effectively ranked senior in right of payment to the Notes was approximately $20 million. See "DESCRIPTION OF NOTES-Subordination."
USE OF PROCEEDS.....	The Company will not realize any proceeds from the sale of the Notes or Shares offered hereby.
NYSE COMMON STOCK SYMBOL.....	"EYE"

(1) Excludes up to 4.35 million shares of Common Stock reserved for issuance under the Company's 1996 Stock Incentive Plan. As of December 20, 1996, options to purchase 1.8 million shares of Common Stock are outstanding under such plan. Also excludes up to 500,000 shares of Common Stock reserved for issuance under the Company's 1996 Employee Stock Purchase Plan, none of which have been issued. Does not give effect to any shares of Common Stock issuable upon conversion of the Notes.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA OF THE COMPANY
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following selected historical and pro forma financial data have been derived from audited and unaudited historical financial statements and should be read in conjunction with the consolidated financial statements of the Company incorporated by reference herein. The discontinued operations include Benson's former Omega Optical and Orcolite businesses, which were sold (respectively) in connection with the Merger and Asset Sale (referred to herein as the "Prescription Eyewear Business") and FGG. No pro forma adjustments have been made other than restatement for the discontinued operations of FGG.

The Prescription Eyewear business was discontinued in conjunction with a Merger and Asset Sale consummated May 3, 1996. Also as a result of the Merger and Asset Sale, BEC Group was treated as the continuing accounting entity. Accordingly, the Benson historical consolidated financial statements serve as the historical consolidated financial statements of BEC. The FGG business was discontinued on July 30, 1996 upon the approval by the Board of management's decision to sell FGG. The sale of FGG was completed on December 12, 1996. See "PROSPECTUS SUMMARY - The Company."

The results of operations for FGG and the Dallas Corporate Headquarters, which is being closed in connection with the sale of FGG, are presented as discontinued operations of the Company. The assets of FGG and the Prescription Eyewear business, net of liabilities, are presented as investment in discontinued operations at September 30, 1996 and December 31, 1995. A loss of $25.8 million including transaction expenses and phase-out period losses, net of taxes, was recorded on the sale of FGG as of July 30, 1996, the measurement date.

The Company is the successor, for accounting purposes, of Benson Eyecare Corporation ("Benson"). A number of entities, including Benson Optical Co.,

Inc., Pembridge Optical Partners, Inc., Superior Optical Company, Inc., and Superior Eye Care, Inc., which were included in Benson's consolidated financial statements and are considered continuing operations of the Company for accounting purposes during certain periods, are included in the selected financial data set forth below. Accordingly, the 1996 results of continuing operations are not comparable to the historical results presented for earlier periods.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,(6)					NINE MONTHS ENDED SEPTEMBER 30,(6)	
	1991(1)	1992(2)	1993(3)(7)	1994(4)(7)	1995(5)(7)	1995(5)(7)	1996(7)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:							
Net sales	$ 21,141	$ 32,237	$ 62,139	$ 62,141	$ 66,073	$ 49,920	$ 51,800
Cost of sales	9,868	14,504	23,543	25,219	35,906	26,741	28,965
Gross margin	11,273	17,733	38,596	36,922	30,167	23,179	22,835
Selling, general and administrative expenses	11,292	18,934	39,320	34,030	24,095	19,023	16,073
Special charges and merger-related expenses	--	--	--	--	8,287	5,237	--
Interest expense	540	719	828	3,458	3,785	2,976	1,856
Other (income) expense	(650)	150	(416)	(1,273)	(3,289)	(3,019)	(1,749)
Income (loss) from continuing operations before taxes	91	(2,070)	(1,136)	707	(2,711)	(1,038)	6,655
Provision for (benefit from) income taxes	(7)	2	409	254	(975)	(374)	2,262
Income (loss) from continuing operations	98	(2,072)	(1,545)	453	(1,736)	(664)	4,393
Net income (loss) from discontinued operations	--	--	393	9,713	(5,024)	(731)	77,744
Net income (loss)	$ 98	$ (2,072)	$ (1,152)	$ 10,166	$ (6,760)	$ (1,395)	$ 82,137
Weighted average shares outstanding	2,644	6,008	17,600	17,600	17,600	17,600	17,671
Earnings per share:							
Income (loss) from continuing operations	$ 0.04	$ (0.35)	$ (0.09)	$ 0.03	$ (0.10)	$ (0.04)	$ 0.25
Income (loss) from discontinued operations	$ --	$ --	$ 0.02	$ 0.55	$ (0.28)	$ (0.04)	$ 4.40
Net income (loss)	$ 0.04	$ (0.35)	$ (0.07)	$ 0.58	$ (0.38)	$ (0.08)	$ 4.65
Ratio of earnings to fixed charges	1.2	-(8)	0.11	1.20	0.71	0.88	2.00

</TABLE>

<TABLE>
<CAPTION>

	AS OF DECEMBER 31,					AS OF SEPTEMBER 30, 1996
	1991	1992	1993	1994	1995	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:						
Working capital	$ 1,126	$ 5,401	$ 26,710	$123,493	$149,903	$ 35,164
Total assets	12,773	26,602	67,346	232,179	273,278	111,762
Long term debt	2,346	3,234	633	15,294	18,606	38,390

Convertible debt	--	4,000	--	40,950	40,950	21,133
Stockholders' equity	1,158	5,725	41,054	111,093	131,134	7,479

</TABLE>

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(1) In October 1992, Benson acquired Pembridge Optical Partners, Inc. ("Pembridge"). Although as a result of the transaction Benson was the surviving legal entity, Pembridge, which was formed in September 1991, was the surviving entity for accounting purposes. The acquisition of Superior Optical Company, Inc. ("Superior Optical") in December 1992 and the acquisition of Bolle America in November 1995 were accounted for as pooling of interests and, accordingly, Benson's consolidated financial statements were restated for all periods prior to the acquisition to include the results of operations, financial position and cash flows of Superior Optical and Bolle America for the full year combined with that of Pembridge from September 1991.

(2) The 1992 acquisition of Benson Optical Co., Inc. ("Benson Optical") was accounted for as a purchase. As a result, the information presented reflects the results of Benson Optical subsequent to its purchase on October 15, 1992 until its sale in October 1994.

(3) The acquisition of Superior Eye Care, Inc. ("Superior"), The Bonneau Company and Pennsylvania Optical Company (Collectively "Bonneau") and International Eyewear & Accessories, Inc. ("IEA"), were effective April 30, 1993, June 1, 1993 and November 30, 1993, respectively. Superior and Bonneau were accounted for as purchases. As a result, the information presented does not reflect the operations of these companies prior to their respective dates of acquisition. Bonneau and IEA constituted FGG in 1993 and therefore are included in discontinued operations.

(4) The acquisition of Optical Radiation Corporation ("ORC") was effective October 12, 1994 and was accounted for as a purchase. The acquisition of Opti-Ray, Inc. ("Opti-Ray") was effective January 1, 1994 and was accounted for as a purchase. Accordingly, their results are included from the effective dates of the acquisitions. The Prescription Eyewear business was part of ORC and accordingly, is included in discontinued operations. Opti-Ray became part of FGG and is therefore also shown as part of discontinued operations.

(5) The acquisition of Bolle America was effective November 2, 1995 and was accounted for as a pooling of interests. Accordingly, its results are included in the historical results of the Company, for all the historical periods presented.

(6) No dividends were declared or paid during any of the periods presented, except 1994 when Bolle America paid a dividend of $50,000 to its shareholders, although, for accounting purposes, cash proceeds received by Benson Stockholders in connection with the Merger were reflected as dividends.

(7) Results adjusted to reflect FGG and Prescription Eyewear Business discontinued operations.

(8) Not meaningful.

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RISK FACTORS

The securities offered in this Prospectus involves a high degree of risk and should not be made by persons who cannot afford the loss of their entire investment. Accordingly, prospective investors should consider carefully the following factors, in addition to the other information concerning the Company and its business included or incorporated by reference in this Prospectus.

INDEMNIFICATION BY THE COMPANY. The Company has entered into an Indemnification Agreement, whereby the Company and certain of its subsidiaries have agreed to indemnify Essilor International, S.A. ("Essilor"), Essilor of America, Inc., a wholly-owned subsidiary of Essilor ("Essilor America") and Essilor Acquisition Corporation ("Essilor Sub"), Benson and Omega Opco, Inc. ("Omega") and its subsidiaries (the "Indemnified Parties") against losses, liabilities, claims and expenses ("Losses") resulting from: (i) the conduct of the business of Benson and its subsidiaries excluding Omega (other than in respect of certain environmental liabilities, employee benefits and tax liabilities), prior to the effective time of the Merger (the "Effective Time") and the conduct of the business of the Company and any other subsidiaries of Benson, excluding Omega, prior to and subsequent to the Effective Time; (ii) misrepresentations or breaches of obligations, covenants or warranties contained in the Agreement and Plan of Merger dated as of February 11, 1996 as amended, (the "Merger Agreement") between Benson and Essilor, Essilor America and Essilor Sub, the related Spinoff Agreement between Benson and the Company (the "Spinoff Agreement") or the Indemnification Agreement, by Benson, the Company or any subsidiary of the Company; and (iii) enforcement of the rights of the Indemnified Parties under the Indemnification Agreement. No Losses described in clause (ii) hereof shall become payable by the Company to the Indemnified Parties until such Losses reach $2 million in the aggregate, at which time all such Losses must be paid in full by the Company. Pursuant to the Indemnification Agreement, the Company has also agreed to pay all taxes, if any, incurred by Benson and its subsidiaries arising from the Merger, the Spinoff or the sale of assets (the "Asset Sale") of Orcolite(R), Benson's polycarbonate and plastic lens manufacturing business, to Monsanto Company ("Monsanto"). Further, the Company has agreed to indemnify the Indemnified Parties against all Federal income and other taxes, interest and penalties of the affiliated group of which Benson is the common parent under section 1504 of the Internal Revenue Code for any taxable period ending on or before the date of the Effective Time (or, with regard to the subsidiaries whose assets would be sold in the Asset Sale, on or before the date of the Asset Sale). The Company will indemnify the Indemnified Parties against all taxes, interest and penalties attributable to the consummation of the Asset Sale, the organization and capitalization of the Company, the Spinoff and the distribution of $6.60 in cash per share of Benson Common Stock and one share of Common Stock for every two shares of Benson Common Stock (the "Merger Consideration").

Pursuant to the Asset Purchase Agreement (the "Asset Purchase Agreement") dated as of February 11, 1996 among Benson, the Company, Optical Radiation Corporation ("ORC") and Monsanto, in connection with the Asset Sale, Benson, the Company and ORC shall indemnify Monsanto against losses arising in connection with: (i) tax liabilities of ORC existing on the closing date of the Asset Sale or relating to any period prior to the closing date of the Asset Sale; (ii) liabilities under employee benefit plans not assumed by Monsanto under the Asset Purchase Agreement; (iii) certain unemployment or worker's compensation taxes payable by ORC; (iv) commissions or fees related to the Asset Sale except as specifically provided in the Asset Purchase Agreement; (v) any liabilities of ORC excluded from the Asset Sale; (vi) certain potential environmental liability relating to the property to be leased by Orcolite from the Company after consummation of the Asset Sale; (vii) noncompliance with any bulk transfer law; and (viii) misrepresentations or breaches of obligations, covenants or warranties contained in the Asset Purchase Agreement.

Pursuant to these arrangements, the Company may bear the burden of obligations and losses not directly related to its non prescription eyewear and optics related business and the FGG under certain circumstances. Should the Company be required to make payments pursuant to these indemnification agreements, such payments could have a material adverse effect upon the Company. The Company cannot determine at this time the likelihood that any claims for indemnification by third parties will be made under these arrangements, which claims could have a material adverse effect on the Company,

nor can the Company at this time estimate its maximum potential exposure under these arrangements.

LIMITED TRADING HISTORY; MARKET PRICES. Because all of the Common Stock prior to the Effective Time was held by Benson, there was no public trading market for the Common Stock prior to May 3, 1996. Although the Company has listed the Common Stock on the NYSE, the stock of new and relatively small issuers is frequently subject to sharp increases and decreases in market value, and trading prices of the Common Stock could vary significantly over relatively short periods of time. The Common Stock may also experience volatility subsequent to the Spinoff until trading values have become established.

VOLATILITY OF STOCK PRICE. The market price of the Common Stock may be subject to significant fluctuations in response to variations in quarterly operating results and other factors. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that have often been unrelated or disproportionate to the operating performance of particular companies. These broad fluctuations may adversely affect the market price of the Common Stock.

OPERATIONAL ISSUES ARISING FROM RAPID GROWTH THROUGH ACQUISITIONS. The Company's predecessor, Benson, expanded primarily by means of acquisitions. Historically, this strategy also had increased the asset base and debt significantly. Accordingly, substantially all the current operations of the Company were acquired in a series of transactions since 1993. However, as a result of the Merger and Asset Sale consummated by Benson in May 1996 and the sale by the Company of FGG in December 1996, the Company's business has contracted substantially. See "PROSPECTUS SUMMARY - The Company." The Company intends to return to its historic strategy of aggressive growth through strategic acquisitions.

There can be no assurance that the Company will be able to successfully manage this growth and development. As the Company continues this strategy of growth through acquisitions, there can be no assurance that the Company will be able to identify other suitable acquisition candidates on acceptable terms, that it will be able to obtain the necessary financing for any future acquisitions or that it will be able to effectively and profitably integrate into the Company any operations that are acquired in the future. Additionally, there can be no assurance that any future acquisitions will not have a material adverse effect on the Company's operating results or on the market price of the Company's Common Stock, particularly during the period immediately following such acquisitions.

INTENSE COMPETITION. The markets for the Company's Bolle America products, including premium sunglasses, sports shields and ski goggles, as well as the Company's Optical Technologies Group products, are highly competitive. Many of the Company's competitors have established operating histories, are larger than the Company and have financial and other resources substantially greater than those of the Company. There can be no assurance that changes in market conditions or price competition will not adversely affect the Company's operations in the future and that the Company can compete successfully against such competition.

OPERATING LOSSES AND LIMITED OPERATING HISTORY. The Company had a net loss of $5.1 million for the year ended December 31, 1995. This loss was primarily due to $20.0 million of special charges and merger-related expenses. There can be no assurance that the Company will be profitable in the future. Until the Effective Time, the Company was a wholly owned subsidiary of Benson and after the Spinoff and the sale of FGG, the Company has fewer assets than Benson had prior to the Effective Time and may have more limited access to capital. Although the Company's historical financial statements include results of a predecessor and acquisitions accounted for using the pooling of interests method of accounting, the Company has a limited operating history and was newly formed as a result of the Merger and related transactions.

DEPENDENCE ON KEY PERSONNEL. The Company's business will be managed by a small number of executive officers and key employees, most of whom have employment contracts with the Company. Although the Company maintains $10 million of key man life insurance on the life of Martin E. Franklin, its Chairman of the Board and Chief Executive Officer, the loss of his services or the services of other executive officers or key employees could have a material

adverse effect on the Company. The Company believes that its future success will depend in large part on its ability to attract and retain highly skilled and qualified personnel. Although the Company will aggressively seek to attract and retain such personnel, there can be no assurance that its recruiting efforts will be successful.

POTENTIAL ANTI-TAKEOVER EFFECT OF CERTAIN CHARTER PROVISIONS. The Company has 500,000 shares of authorized and unissued preferred stock which could be issued to a third party selected by management or used as the basis for a stockholders' rights plan, which could have the effect of deterring a potential acquirer. The ability of the Board of Directors of the Company to establish the terms and provisions of different series of preferred stock could discourage unsolicited takeover bids from third parties.

SHARES ELIGIBLE FOR FUTURE SALE. Sales of substantial numbers of shares of Common Stock in the public market in the future could adversely affect the market price of the Common Stock and could impair the Company's ability to raise additional capital through the sale of its equity securities. As of December 20, 1996, the Company had outstanding under its 1996 Stock Incentive Plan (the "Option Plan") options to purchase approximately 1,800,000 shares of Common Stock. The shares issuable upon exercise of these options, together with an additional 2,550,000 shares reserved for issuance under the Option Plan and 500,000 shares reserved for issuance under the Company's 1996 Employee Stock Purchase Plan, have been registered under the Securities Act. A significant portion of the options could be exercisable at prices below the market prices for the Common Stock. In addition, the shares issuable in connection with the Notes could adversely affect the market price of the Common Stock. Since Benson in the past had issued, and the Company may continue to issue, significant number of shares of Common Stock in connection with acquisitions or otherwise, the number of outstanding shares of Common Stock that are likely to be eligible for sale in the future may increase significantly.

RESTRICTED DIVIDEND POLICY. The Company has not paid any dividends in the past, although for accounting purposes, cash proceeds received by Benson stockholders in connection with the Merger were treated as dividends, and does not currently intend to declare or pay any dividends on the shares of the Common Stock.

ENVIRONMENTAL CONTINGENCIES. The Company is subject to Federal, state and local environmental laws and regulations governing, among other things, the handling, storage, use, disposal, discharge and emissions of hazardous materials. The Company's Azusa, California facility is located in a portion of the San Gabriel Valley Aquifer in which volatile organic compounds ("VOCs") were discovered in 1979. In 1990, the Company was notified by the U.S. Environmental Protection Agency ("EPA") that it was a "Potentially Responsible Party," along with several hundred other companies, under the Comprehensive Environmental Response Compensation and Liability Act (commonly known as "Superfund") for the remediation of contaminated groundwater. Soil and subsurface samples of properties, including the Company's Azusa facility, were begun in 1992 and continued into 1994. Most of the costs of this investigation were borne by the Company's neighbor and former owner of much of the property where the Company's facilities are located. In 1995, the Company initiated discussions with the Environmental Protection Agency ("EPA") and Regional Water Quality Board ("WQB") in an effort to clarify the Company's status and obtain confirmation that the EPA would take no action against the Company with respect to the site. Pursuant to a request from the WQB, the Company performed additional testing, the results of which generally support the Company's position that the Company's activities have not contributed to the

ground water contamination at the site. The WQB concurred and has ordered no further testing. After further technical and legal review, the EPA has informed the Company that it will take no action against it with respect to the site and will not require it to participate in the Steering Committee of parties preparing a remediation plan for the site. Based on current information, the

Company anticipates that it also will be given the opportunity to participate in lump sum cash settlements and consent decrees, providing the Company protection against any potential third party claims for contribution with respect to the site. The cost of any such cash settlement is not anticipated to have a material impact on the Company, its operations or its financial results. In addition, to the extent the Company is required to bear any portion of the remediation costs, the Company believes it would have a claim against the prior owner of the property for contribution or cost recovery. There can be no assurance, however, that such claim would be successful.

CERTAIN REGULATORY MATTERS. Certain of the products sold by the Company must comply with quality control standards set by various governmental entities, including the Food and Drug Administration (the "FDA"). The FDA regulates the manufacture and sale of ophthalmic products under the Federal Food, Drug and Cosmetic Act, as amended by the 1976 Medical Device Amendments and certain subsequent amendments. Recently, the FDA has become more restrictive in the regulatory process and has increased its surveillance over existing products and manufacturing facilities. The FDA has authority to suspend or remove a product from the market or to cause a manufacturer to cease operations either at a facility or company-wide if it deems a product or a manufacturing process to be outside regulatory guidelines.

RELIANCE ON RELATIONSHIP WITH BOLLE FRANCE. Bolle America's business is dependent on its contractual and operating relationships with Bolle France. See "BUSINESSES - Bolle America." Bolle France manufactures and sells to Bolle America substantially all of Bolle America's eyewear products and conducts new product development in cooperation with Bolle America. Bolle America has conducted business with Bolle France for over ten years and is Bolle France's largest customer. Any impairment of the relationship of Bolle America, or the Company as its successor, with Bolle France would have a material adverse effect on Bolle America's business. In the event Bolle France were to experience financial or other business difficulties, Bolle America's business could be materially and adversely affected. Bolle America has no contractual right to receive financial and business information concerning Bolle France and such information is not publicly available to investors or to Bolle America.

FOREIGN CURRENCY EXPOSURE. Bolle France manufactures substantially all of Bolle America's products and requires payment in French francs. Therefore, Bolle America's long-term competitive position and future results of operations could be adversely affected if the U.S. dollar significantly decreased in value relative to the French franc. Such a decrease could result in an increase in the retail price of Bolle America's products in local markets or, if Bolle America considers such increases to be undesirable, a reduction in gross margins, in

either case with possible adverse effects on Bolle America's results of operations. In an attempt to address the potential effect of future exchange rate fluctuations, Bolle America has entered into a series of agreements with Bolle France pursuant to which Bolle America has a stepped floor on the French franc/U.S. dollar exchange rate for inventory purchases. The stepped floor arrangement is reviewed each year and is related to discussions on other matters covered by the Bolle America distribution agreement. See "BUSINESSES - Bolle America."

DEPENDENCE ON INTELLECTUAL PROPERTY RIGHTS. The Company's management believes that Bolle America's success and ability to compete depends, in large part, upon consumer brand identification of the Bolle(R) name and related trademarks and, to a lesser degree, upon Bolle France's technological innovations and proprietary sunglass and goggle designs. Bolle America intends to vigorously protect its trademarks and Bolle France's proprietary designs against infringement or misappropriation by others. There can be no assurance, however, that steps taken by Bolle America will prevent misappropriation of its intellectual property or that competitors will not develop products similar to Bolle America's products. Protection of intellectual property rights owned by Bolle France requires the active participation of Bolle France in such efforts. While Bolle France has cooperated with Bolle America regarding such matters in the past, there can be no assurance that it will do so in the future. Further, the enforcement of proprietary rights of Bolle America through litigation could result in costs to the Company that could have a material adverse effect on its financial condition. In addition, although Bolle America believes that its

products do not infringe the proprietary rights of third parties, there can be no assurance that infringement or invalidity claims will not be asserted against Bolle America in the future. An adverse determination in or the costs of pending litigation based on such a claim could have a material adverse effect on the Company's business and financial condition.

HOLDING COMPANY STRUCTURE. Since substantially all of the operations of the Company are conducted through subsidiaries, the Company's cash flow and, consequently, its ability to service debt, including the Notes, are dependent upon the cash flow of its subsidiaries and the payment of funds by those subsidiaries in the form of loans, dividends or otherwise. The ability of the Company's subsidiaries to make such payments will be subject to, among other things, applicable state laws. Any right of the Company and its unsecured creditors, including holders of the Notes, to participate in the assets of any of the Company's subsidiaries upon any liquidation or reorganization of any such subsidiary will be subject to the prior claims of that subsidiary's creditors, including trade creditors (except to the extent the Company may itself be a creditor of such subsidiary). Accordingly, the Notes will be effectively subordinated to all existing and future liabilities and obligations, including trade payables, of the subsidiaries of the Company. The indenture, dated as of May 3, 1996, (the "Indenture"), between the Company and IBJ Schroder Bank & Trust Company, as trustee, will not limit the incurrence of additional indebtedness by the Company or its subsidiaries. See "DESCRIPTION OF THE NOTES - Subordination."

ABSENCE OF PUBLIC MARKET FOR THE NOTES. The Notes have no established trading market. Pursuant to the Registration Agreement, the Company has agreed to use its commercially reasonable best efforts to keep the Registration Statement, to which this Prospectus is a part, continuously effective for a period of at least 36 months from the date on which such Registration Statement is declared effective by the SEC. However, there can be no assurance that a trading market for the Notes will develop or, if such market does develop, as to the liquidity of such market.

LIMITATIONS ON CHANGE OF CONTROL PURCHASE OPTION. The right to require the Company to purchase Notes as a result of a Change of Control could create an event of default under Senior Indebtedness of the Company as a result of which any purchase could, absent a waiver, be blocked by the subordination provisions of the Notes. Failure by the Company to purchase the Notes when required will result in an Event of Default (as defined herein) with respect to the Notes whether or not such a purchase is permitted by the subordination provisions. The right to require the Company to purchase the Notes in the event of a Change of Control could delay or deter a Change of Control, whether or not such Change of Control were supported by the Board of Directors of the Company. If a Change of Control were to occur, there can be no assurance the Company would have sufficient funds to pay the Change of Control purchase price for all Notes tendered by the holders thereof. The Company's ability to make such payments may be limited by the terms of its then-existing borrowing and other agreements. See "DESCRIPTION OF THE NOTES - Change of Control."

INVESTMENT IN UNCONSOLIDATED ENTITY. As of November 30, 1996, the Company held an investment of approximately $11.5 million in equity securities of Eyecare Products, plc ("ECP"), an entity not controlled by the Company. Such equity securities account for approximately 23% of ECP's currently issued and outstanding ordinary shares. The Company is not involved in the day-to-day operations of ECP, although Mr. Franklin, the Company's Chairman and Chief Executive Officer, is the non-executive chairman of ECP and Mr. Ashken, a director and the Chief Financial Officer of the Company, is a member of ECP's Board of Directors. The Company has entered into an agreement, dated November 14, 1996, under which the Company has agreed to sell approximately $2 million of its investment and has provided the purchaser an option to purchase the Company's remaining investment in ECP. There can no assurance that such sale will be completed or that the purchaser will exercise such option. In addition, the Company may not be able to realize its investment in ECP, and any such failure by the Company to realize its investment in ECP could have a material adverse effect on the Company.

SEASONAL AND CYCLICAL RESULTS. The Company's Bolle America business is seasonal in nature with the second quarter having increased sales due to the

high demand for sunglasses during that period. The Optical Technologies Group is subject to cyclical capital spending trends by certain of its customers. As a result, operating results may be subject to considerable fluctuation from quarter to quarter.

USE OF PROCEEDS

The Selling Securityholders will receive all of the net proceeds from any sale of Notes or Shares pursuant to this Prospectus and, accordingly, the Company will receive none of the proceeds from the sales thereof.

SELLING SECURITYHOLDERS

The following table sets forth information, to the knowledge of the Company, as of December 20, 1996, with respect to the beneficial owners or holders of record of the Notes and the respective principal amounts of Notes beneficially owned or held of record by each Selling Securityholder that may be offered pursuant to this Prospectus. Other beneficial owners of the securities not set forth below may be added as Selling Securityholders to this Prospectus in the future by amendment. To the knowledge of the Company, none of the Selling Securityholders has, or within the past three years has had, any position, office or other material relationship with the Company or any of it predecessor or affiliates except as set forth below, other than as a result of the ownership of the Notes or securities previously issued by Benson.

Because the Selling Securityholders may offer all or some portion of the Notes or Shares pursuant to this Prospectus, no estimate can be given as to the amount of the Notes or the Shares that will be held by the Selling Securityholders upon termination of such sales. In addition, the per Share conversion price, and therefore the number of Shares, are subject to adjustment under certain circumstances. The Selling Securityholders identified below may have sold, transferred or otherwise disposed of all or a portion of their Notes since December 12, 1996 in transactions exempt from the registration requirements of the Securities Act.

The table has been prepared based solely upon information furnished to the Company by the Trustee and the Selling Securityholders.

<TABLE>
<CAPTION>

Name	Principal Amount of Notes Beneficially Owned	Principal Amount of Notes that May be sold	Number of Shares of Common Stock Beneficially Owned Prior to Offering*	Number of Conversion Shares That May Be sold	Percent of Shares of Common Stock Out-standing**
<S>	<C>	<C>	<C>	<C>	<C>
Auer & Company c/o Bankers Trust Company	2,650,000	2,650,000	460,870	737,867	4.01%
Bear Stearns Securities Corp.	182,500	182,500	31,379	50,815	***
Bear Stearns & Co. Inc.	3,019,000	3,019,000	525,043	840,612	4.55%
Bost & Co.	275,000	275,000	47,820	76,371	***
Charles Schwabb & Co. Inc.	5,000	5,000	870	1,392	***
Cudd & Co.c/o The Chase Manhattan Bank NA	235,000	235,000	40,870	65,433	***

Dean Witter Reynolds Inc.	30,000	30,000	5,217	8,353	***
Gruntal & Co.	10,000	10,000	1,739	2,784	***
Fidelity Management Trust Company, on behalf of accounts managed by it	2,879,032	2,879,032	500,101	801,639	4.35%
Kane & Company c/o The Chase Manhattan Bank	1,825,000	1,825,000	317,391	508,154	2.80%
Lehman Brothers Inc.	50,000	50,000	8,696	13,922	***
Lewco Securities Corp.	12,500	12,500	2,174	3,481	***
Fidelity Financial Trust: Fidelity Convertible Securities Fund	5,333,033	5,333,033	927,484	1,484,932	7.76%
Montgomery Securities	175,000	175,000	30,435	48,727	***
Morgan Stanley & Co Incorporated	1,000,000	1,000,000	173,913	278,440	1.55%
Muico & Co c/o Bankers Trust Co.	625,000	625,000	108,696	174,025	***
Paine Webber Inc.	570,000	570,000	99,130	158,711	***
Pitt & Co.	762,000	762,000	132,522	212,172	1.19%
Prudential Securities Incorporated	50,000	50,000	8,696	13,922	***
Smith Barney, Harris Upham & Co., Inc.	445,000	445,000	77,391	123,906	***
Smith Barney Inc.	430,000	430,000	74,783	119,729	***
Societe Generale Securities Corp.	180,000	180,000	31,304	50,119	***
Tfinn & Co.	10,000	10,000	1,739	2,784	***

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Name	Principal Amount of Notes Beneficially Owned	Principal Amount of Notes that May be sold	Number of Shares of Common Stock Beneficially Owned Prior to Offering*	Number of Conversion Shares That May Be sold	Percent of Shares of Common Stock Out-standing**
<S>	<C>	<C>	<C>	<C>	<C>
Peter H. Trembath(1)	10,000	10,000	37,822	2,784	***
Nancy F. Trembath(2)	5,000	5,000	4,686	1,392	***
Donaldson Lufkin & Jenrette	107,500	107,500	18,696	29,932	***
Smith Barney Inc.	33,000	33,000	5,739	9,189	***

James P. Tierney	25,000	25,000	4,348	6,961	***
Patricia A. Tierney	25,000	25,000	4,348	6,961	***
Alex Brown & Sons Inc.	50,000	50,000	8,696	13,922	***
Dean Witter Reynolds Inc.	10,000	10,000	1,739	2,784	***
Holders of Benson Eyecare Corporation Convertible Notes(3)	27,000	27,000	4,696	7,518	***
TOTAL:	$21,045,565	$21,045,565	3,700,999	5,859,933	24.93%

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* Includes shares of Common Stock held, to the knowledge of the Company, by such Selling Shareholders and shares of Common Stock that may be issued within sixty (60) days upon exercise of options, warrants or other rights. Includes shares of Common Stock that may be acquired within sixty (60) days upon conversion of Notes registered hereunder, other than shares that may be issued in lieu of cash interest payments.

** Based on 17,647,260 shares of Common Stock as of December 23, 1996 and assumes conversion of the entire principal amount of the Notes held by Selling Shareholder; also assumes accrued interest will be paid by issuance of shares in lieu of cash.

*** Less than 1%.

(1) Peter H. Trembath currently serves as the Company's Vice President, Secretary and General Counsel.

(2) Nancy F. Trembath is the sister of Peter H. Trembath. See Footnote (1) above.

(3) Certain holders of Benson Eyecare Corporation Convertible 8% Notes have not yet exercised their right to convert such notes into Notes. The principal amount of Notes reflected here is the maximum principal amount of Notes that would be issued to such holders in the event they exercise such conversion right. Such holders include: Smith Barney Inc. and J.W. Charles Securities, Inc.

PLAN OF DISTRIBUTION

The distribution of the Notes and the Shares offered by Selling Securityholders, or by beneficial owners thereof, or by pledgees, donees, transferees, or other successors in interest, may be effected from time to time in one or more transactions (which may involve block transactions) on the New York Stock Exchange or other exchanges or the NASDAQ Stock Market or otherwise, in negotiated transactions, through the writing of options (whether such options are listed on an options exchange or otherwise), or a combination of such methods of sale, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. A Selling Securityholder also may pledge the Notes or the Shares as collateral for margin accounts and the Notes or the Shares could be resold pursuant to the terms of such accounts. A Selling Securityholder may effect such transactions by selling the Notes or the Shares to or through broker-dealers, and such broker-dealers may receive compensation in the form of underwriting discounts, concessions or commissions from the Selling Securityholders and/or purchasers of the Notes or the Shares for whom they may act as agent (which compensation may be in excess of customary commissions). The Selling Securityholders will pay the commissions and discounts of underwriters, dealers or agents, if any,

incurred in connection with the sale of the Notes or the Shares. The Company will not receive any of the proceeds from sales of any of the securities offered pursuant to this Prospectus by the Selling Securityholders. In addition, any Notes or Shares covered by this Prospectus which qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this Prospectus.

In order to comply with certain state securities laws, if applicable, the Notes and Shares will not be sold in a particular state unless such securities have been registered or qualified for sale in such state or any exemption from registration or qualification is available and complied with.

The Selling Securityholders and any underwriters, dealers or agents that participate in the distribution of the Notes or the Shares offered hereby may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act, and any profit on the sale of the Notes or the Shares by them and any discounts, commissions or concessions received by any such underwriters, dealers or agents might be deemed to be underwriting discounts and commissions under the Securities Act.

The Selling Securityholders have entered into a Registration Agreement with the Company, which generally provides for the registration of the Notes and the Shares under the Securities Act and the blue sky laws of the several states. Pursuant to such Registration Agreement, the Company is required, among other things, to bear the cost of such registration and indemnify the Selling Securityholders against certain liabilities, including those under the Securities Act. Insofar as indemnification for liabilities under the Securities Act may be permitted pursuant to the above-described Registration Agreement or otherwise to directors,

officers and controlling persons of the Company, the Company has been advised that, in the opinion of the Commission, such indemnification is against public policy expressed in the Securities Act and therefore may be unenforceable.

BUSINESS OF THE COMPANY

BEC Group was incorporated on December 28, 1995, as a wholly-owned subsidiary of Benson, in connection with the Merger (as defined below), pursuant to which Benson stockholders received all of the outstanding shares of Common Stock of the Company in a pro rata distribution (the "Spinoff"). The Spinoff and the Merger ("Merger") of Essilor Acquisition Corporation with and into Benson occurred on May 3, 1996 (the "Effective Date'). Prior to the Effective Date and Spinoff, Benson contributed to the Company all of the assets of its then non prescription eyewear and optics related businesses and the Company assumed all of the liabilities of Benson's non prescription eyewear and optics related businesses. In December 1996 the Company divested the operations of its FGG value-priced non prescription eyewear business. See "PROSPECTUS SUMMARY - The Company."

Following the divestiture of Benson's prescription eyewear business in May 1996 in connection with the Merger and BEC Group's sale of the FGG in December 1996, BEC Group has two core businesses: the Optical Technologies Group which supplies lighting, electronic, and electroformed products to a diverse customer base and Bolle America, the exclusive marketer and distributor of Bolle(R) premium sunglasses, sport shields and goggles in the US, Mexico and Costa Rica. In addition, BEC Group owns approximately 23% of Eyecare Products plc, a London Stock Exchange Company.

OPTICAL TECHNOLOGIES GROUP

The Optical Technologies Group consists of ORC Lighting Products division, the ORC Electronic Products and ORC Electroformed Products.

Products

ORC Lighting Products designs and manufactures xenon and mercury-xenon short-arc lamps that are used in high intensity illumination systems and mini-systems that incorporate lamps, optics and electronic componentry. Three

primary markets are addressed by ORC Lighting Products: industrial, medical and cinema. Lamps for the industrial market are used in photo exposure systems, specialty lighting applications and in various other high technology equipment. The medical market is serviced with fiber optic illumination components and systems used with medical endoscopes as illumination for diagnostic and minimally invasive surgical procedures. Products include a specially designed ceramic lamp with integral parabolic

reflector, optical components, power supply and fiber optic illumination systems. ORC Lighting Products supports the world wide cinema market with a wide range of short-arc xenon lamps.

ORC Electronic Products manufactures the Opti-Beam(R) and ProForm(TM) lines of photoexposure systems. These highly sophisticated systems are used in the production of high density, fine-line circuit boards, microcircuits, flexible circuits and flat panel displays. The business has focused on the upper end of the market where its proprietary optics technology, vision alignment systems and superior material handling capabilities allow for imaging fine line circuitry with exceptional throughput.

ORC Electroformed Products supplies a wide range of electroformed products to third party customers. Its products include electroformed nickel and copper components such as cold shields, flashlight and search light reflectors, abrasion resistant shields for use on airplane and helicopter propellers and rotor blades and highly polished spheres, parabolas and ellipses for industrial uses and tooling used in the manufacture of hard resin and polycarbonate ophthalmic lenses.

Supply Agreements

The Optical Technologies Group does not have any significant supply agreements and most materials used are available from more than one vendor. ORC Lighting Products is subject to a sole source for three of its lamp components but through strong supplier relationships has not encountered significant difficulties with delivery or price and continues to identify and qualify alternate sources.

Competition

The three businesses in the Optical Technologies Group compete in different but parallel markets in that all three businesses are affected by changes and growth in technological, specifically optics related, industries. For example, both ORC Lighting Products and ORC Electronic Products supply products used in manufacturing printed circuit boards and flat panel displays, both high growth technological markets.

ORC Lighting Products competes in the highly competitive international specialty discharge lighting market. The business distinguishes itself by providing high quality, competitively priced products accompanied by superior service. Within ORC Lighting Products' served portion of the market, it competes primarily with three competitors, one of which is United States based.

ORC Electronic Products competes in the worldwide photo exposure system market and is considered one of the market leaders for producing "next generation" equipment for its customers. Because of the growth potential of the market, an increasing number of the competitors are entering the markets served by ORC Electronic Products. Although US and

international patents are obtained wherever possible, products can and are being replicated by competitors, sometimes at a lower cost to the customer. ORC Electronic Products' competitive advantages include advanced, effective research and development and quality products.

ORC Electroformed Products' core markets include metal optics and erosion

shields for helicopter rotor blades and propellers. The business also continues to find new uses for its electroformed technology. Because it produces specialty products for specific customers, repeat business is common and electroforming competitors are few in the markets served.

Customers

The Group has no significant dependence on large customers and no one customer represents more than 5% of the Group's net sales. ORC Lighting Products serves a wide range of customers in the medical, industrial and entertainment industries and therefore its top 25 customers represent less than 40% of its business. ORC Electronic Products sells capital equipment to international technologically based customers. Its products sell for high price points ranging from $150,000 to $1,000,000 and its customer base changes each year. ORC Electroformed Products provides custom products to its customers. Its customer base has grown each year and includes a wide range of industrial manufacturing businesses.

Cyclical Results

The Optical Technologies Group is subject to cyclical capital spending trends by certain of its customers. As a result, operating results may be subject to considerable fluctuation from quarter to quarter.

BOLLE AMERICA, INC.

Products

The Bolle(R) trademark is recognized around the world for premium sunglasses, sport shields and ski goggles. Bolle America offers a broad selection of sunglasses and sport shields ranging in price from $30 to $135 at retail and ski goggles at most price points. With an offering of approximately 65 models in 10 collections, every unit in Bolle America's separate product offerings block 100% of harmful ultraviolet rays, as well as offer protection against infrared radiation. Utilizing a patented process developed by Bolle France, the nylon frames used in Bolle America's sunglasses are world renowned for being light weight, resilient and durable.

With the introduction in recent years of new collections such as Madness, Metals, Glass Polarized, Snakes and Golf sunglasses, Bolle America is in step with changes in consumer preferences in areas such as style, fashion, function and technological innovation. Such responsiveness in product offering is important to the continued success of Bolle America. With its patented Sports Optical System, Bolle America provides the same function and style of many of its most popular sunglasses to persons who require vision correction.

Bolle America sells specialized sport shields and sunglasses suitable for most athletic endeavors, from recreational activities to hard-core competition. Substantially all of these products feature polycarbonate lenses which have proven to be more shatter-resistant and lighter weight than either glass or CR-39 plastic lenses. Whether worn for everyday activities or serious sporting activities, Bolle America offers five collections of sport shields/sport sunglasses: Golf Collection, Snakes Collection, Action Sport Collection, Polarisant Collection (including the recently introduced Glass Polarized models) and Sport X-tra Collection.

Bolle(R) ski goggles offer outstanding performance and protection when facing the elements encountered in skiing, snowboarding and other winter sports. Designed with contoured frames offering the best in flexibility, durability, aerodynamics, ventilation and peripheral vision, Bolle(R) goggles also feature lenses which incorporate treatments for anti-fog and which provide 100% UV and IR protection. Available in a variety of colors and styles at a variety of price points, many of Bolle(R) ski goggles also accept the Sports Optical System prescription adapter to accommodate persons needing vision correction. Bolle ski goggles are worn by many of the top downhill skiers in the world.

Supply Agreements

Pursuant to an exclusive distributor agreement, Bolle France is Bolle America's exclusive supplier of most Bolle America products. In the event Bolle France is unable or unwilling, for any reason, to supply products, the Company believes that alternative sources of supply could be developed. Such alternate sourcing is permitted under specified conditions and subject to quality standards imposed by Bolle France and may be subject to a 4% royalty on any such products sold by Bolle America. See "RISK FACTORS - Reliance on Relationship with Bolle France." Bolle America does not have a significant backlog of orders.

Competition

The premium sunglass industry is dominated by two large competitors. The rest of the market is fragmented with Bolle America competing with many similar sized competitors for market share. The $1.2 billion United States industry has a historical average growth rate of approximately 5%. Bolle America is a niche player in the premium sunglass market's sports segment and enjoys widespread name recognition. There are few barriers to entry to the market. The market is highly competitive.

Customers

Bolle America's top 25 customers represent approximately half of its total net sales and unlike some of its competitors, Bolle America does not rely heavily on one or two large customers. None of its customers exceed 15% of total net sales. In addition to its relationships with large chains, Bolle America has a strong distribution network to thousands of smaller customers.

Seasonality

Bolle America's business is seasonal in nature with the second quarter having the highest sales due to the increased demand for sunglasses during that period.

EMPLOYEES

The Company and its affiliates employ approximately 380 employees. None of the Company's or its affiliates' employees are covered by any collective bargaining agreements. The Company considers its relations with its employees to be satisfactory.

PROPERTIES

As of December 20, 1996 the locations of the Company's principal facilities are as follows:

<TABLE>
<CAPTION>

LOCATION	PRINCIPAL USE/USER(S)	APPROXIMATE SQUARE FEET OF SPACE
<S>	<C>	<C>
OWNED:		
Azusa, CA	Office and manufacturing facilities/Optical Technologies	188,750
LEASED:		
Rye, NY	Principal executive office of the Company	3,000
Denver, CO	Warehouse and office space/Bolle America	30,000

</TABLE>

In addition, the Company owns an approximately 150,000 square foot building located in Farmer's Branch, Texas, which it leases to FGG; the property is subject to a mortgage of approximately $3.8 million.

The Company's facilities are substantially fully utilized. The Company believes that its facilities are reasonably suitable for the purpose to which they are put and that, subject to possible changes to accommodate centralization and consolidation of its business activities, they are adequate for The Company's immediate foreseeable needs.

LEGAL PROCEEDINGS

While the Company is engaged in routine litigation incidental to the business, the Company believes it is not currently a party to any "material" pending legal proceedings as defined under applicable Federal securities laws.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

Set forth below are the names, ages and positions of the directors and executive officers of the Company:

<TABLE>
<CAPTION>

NAME	AGE	OFFICE
<S>	<C>	<C>
Martin E. Franklin	32	Chairman of the Board of Directors and Chief Executive Officer
William T. Sullivan	53	President, Chief Operating Officer and Director
Ian G. H. Ashken	36	Executive Vice President of Finance and Administration, Chief Financial Officer, Assistant Secretary and Director
Nora A. Bailey	55	Director
Richard W. Hanselman	69	Director
David L. Moore	40	Director
Charles F. Sydnor	54	Director

</TABLE>

Martin E. Franklin was elected Chairman of the Board and Chief Executive Officer of the Company in December 1995. Mr. Franklin was Chairman of the Board and Chief Executive officer of Benson from October 1992 to May 1996 and President from November 1993 to May 1996. Mr. Franklin has been the Chairman and Chief Executive Officer of Pembridge Holdings, Inc. since 1990. From 1988 to 1990, Mr. Franklin was Managing Director of Pembridge Associates, Inc. Both Pembridge Associates, Inc. and Pembridge Holdings, Inc., specialized in merchant banking and related services. Mr. Franklin has been Chairman and Chief Executive Officer of Marlin Holdings, Inc., the general partner of Marlin Capital, L.P., since October 1996. Mr. Franklin is non-executive Chairman and a director of Eyecare Products plc and also serves on the boards of Specialty Catalog Corp. and Accessories Associates, Inc. Mr. Franklin received his B.A. in Political Science from the University of Pennsylvania.

William T. Sullivan was elected President and Chief Operating Officer on April 2, 1996. Mr. Sullivan became a member of the Company's Board in May 1996. Upon Benson's acquisition of Optical Radiation Corporation ("ORC") in October 1994, Mr. Sullivan was appointed Benson's Executive Vice President of Operations. From July 1993 to October 1994, Mr. Sullivan served as the President of the Consumer Optical Group of ORC. From August 1987 through July

1993, Mr. Sullivan served as Group Vice President of the Consumer Optical Group of ORC. Prior to joining ORC, Mr. Sullivan was President of Pearle Vision Centers.

Ian G.H. Ashken, A.C.A. was elected Executive Vice President, Chief Financial Officer, Assistant Secretary and a Director of the Company in December 1995. Mr. Ashken was Chief Financial Officer of Benson and a director of Benson from October 1992 to May 1996. Mr. Ashken also served as Benson's Executive Vice President from October 1994 to May 1996; Secretary from October 1992 to December 1993; and, Assistant Secretary from December 1993 to May 1996. Mr. Ashken has been the Executive Vice President and a director of Pembridge Holdings, Inc. since 1990. Since October 1996, Mr. Ashken has been Vice Chairman of Marlin Holdings, Inc., the general partner of Marlin Capital, L.P. Mr. Ashken is a director of Eyecare Products plc. Mr. Ashken received his B.A. (Hons) in Economics and Accounting from the University of Newcastle in England.

Nora A. Bailey, Esq. became a member of the Company's Board of Directors in May, 1996. Ms. Bailey is a federal income tax attorney with a specialty in mergers and acquisitions and many multinational clients. Until 1993, she was a partner in Ivins, Phillips & Barker in Washington D.C., which she joined in 1972. Ms. Bailey received her J.D. from The University of Michigan Law School.

Richard W. Hanselman, was elected a director of Benson Eyecare Corporation in August 1994, and of BEC Group, Inc. in May 1996. Mr. Hanselman also serves on the board of Arvin Industries, Inc.; Becton, Dickinson and Company; The Bradford Funds, Inc.; Foundation Health Corporation; Gryphon Holdings, Inc.; Healthtrust, Inc.; Incom Recycling, Inc.; and, Daisy Manufacturing Co. From 1981 to 1986, Mr. Hanselman was Chairman, President and Chief Executive Officer and director of Genesco, Inc., a diversified footwear and apparel business. Mr. Hanselman also served as Genesco's President and Chief Operating Officer from 1980 to 1981. Prior to that time, Mr. Hanselman held senior management posts at the Beatrice Companies, Samsonite Corporation, RCA and RCA Sales Corporation, and the Crosley-Bendix divisions of AVCO.

David L. Moore became a member of the Company's Board of Directors in May, 1996. Mr. Moore is President and Chief Executive Officer of Century 21 Home Improvements, Garden State Brickface, Inc., a leading New York metropolitan area residential and commercial remodeling firm. Mr. Moore received his B.A. in Economics from Amherst College and his M.B.A. from Howard University.

Charles F. Sydnor, M.D., was elected a director of Benson Eyecare Corporation in October 1992, and of BEC Group, Inc. In May 1996. Dr. Sydnor has practiced general ophthalmology and neuro-ophthalmology in Burlington, North Carolina since 1982. Dr. Sydnor served on the faculty at Duke University for eight years before going into private practice in 1982. Dr. Sydnor is a member of the American Academy of Ophthalmology's Managed Care Committee and is a consultant to the Academy's Secretariat for Governmental Relations. He also is the immediate past Chairman of the legislative committee and President of Excellence in Primary Eye Care, Inc. Dr. Sydnor is President of Alamance Eye Center P.A.

The number of directors of the Company is currently set at seven. In accordance with the Company's By-laws, all executive officers will be elected by the Board on an annual basis and will serve at the discretion of the Board until the next annual meeting of the Company Board or until their respective successors are duly elected and qualified.

There are no family relationships, by blood, marriage or adoption, between or among any of the individuals listed above as directors or executive officers. Nor is there any arrangement or understanding between or among any of such individuals and any other person pursuant to which such individual was selected as a director or executive officer prior to the Transactions or of the Company following the Spinoff.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has created several standing committees, including an Audit Committee, a Compensation Committee, a Stock Option and a Nominating Committee.

No member of the Compensation Committee will be a former or current officer or employee of Benson or of the Company. The functions of the Compensation Committee include recommending to the full the Company Board the compensation arrangements for senior management and directors. The functions of the Compensation Committee also include the adoption of compensation and benefit plans in which officers and directors are eligible to participate, and granting options or other benefits under (and otherwise administering) certain of such plans. The Compensation Committee currently consists of Charles F. Sydnor, Chairman, Richard W. Hanselman and David L. Moore.

The functions of the Audit Committee include review of the annual independent audit of the Company and to meet periodically with the Company's independent accountants to discuss the Company's accounting policies and accounts. The Audit Committee currently consists of Richard W. Hanselman, Chairman, Nora A. Bailey, and David L. Moore.

The functions of the Nominating Committee include review of those employees that should be named as officers of the Company and to recommend such nominations to the Company Board. The Nominating Committee currently consists of Martin E. Franklin, Chairman, Ian G.H. Ashken, and Charles F. Sydnor.

DIRECTOR AND OFFICER INDEMNIFICATION AND LIMITATION OF LIABILITY

The Restated Certificate of Incorporation of the Company (the "Restated Certificate") contains provisions permitted under the Delaware General Corporation Law (the "DGCL") relating to the liability of directors. The provisions eliminate a director's liability for monetary damages for a breach of fiduciary duty as a director, except for liability in certain circumstances involving wrongful acts, such as the breach of a director's duty of loyalty or acts or omissions which involve intentional misconduct or a knowing violation of law. Further, the Restated Certificate and the Company's Bylaws contain provisions to indemnify the Company's directors and officers to the fullest extent permitted by the DGCL including payment in advance of a final disposition of a director's or officer's expenses and attorneys' fees incurred in defending any action, suit or proceeding.

The Company has entered into indemnification agreements with each of its directors and officers. These indemnification agreements provide for the indemnification by the Company of such directors and officers for liability for acts and omissions as directors and executive officers of the Company. The Company believes that its Restated Certificate and Bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

The Company currently maintains an executive liability insurance policy which provides coverage for its directors and officers. Under this policy, the insurer agreed to pay, subject to certain exclusions (including violations of securities laws), for any claim made against a director or officer of the Company for a wrongful act by such director or officer, but only if and to the extent such director or officer becomes legally obligated to pay such claim or the Company is required to indemnify the director or officer for such claim.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, to the knowledge of the Company and as of December 23, 1996, (unless otherwise indicated) (i) the number of shares of Common Stock owned of record or beneficially, or both, by each person who owned of record, or is known by the Company to have beneficially owned, individually, or with his associates, more than 5% of such shares then outstanding; (ii) the number of shares owned beneficially by each director of the Company, and (iii) the number of shares owned beneficially by all directors and executive

officers as a group. Unless otherwise noted, each person holds sole voting and investment power with respect to the shares shown opposite his name. In addition, certain of the Selling Securityholders would, upon conversion of their Notes, hold 5% or more of the Company's then-outstanding Common Stock. See "SELLING SECURITYHOLDERS" and footnote (6), below.

<TABLE>
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1)	PERCENT OF CLASS
<S>	<C>	<C>
Martin E. Franklin..... 555 Theodore Fremd Ave. Suite B-302 Rye, New York 10580	1,308,197(2)	7.4%
Ian G.H. Ashken.....	225,000(3)	1.3%
William T. Sullivan.....	178,095(4)	1.0%
Nora Bailey	15,000	*
Richard Hanselman	4,786	*
David Moore	15,350	*
Dr. Charles F. Sydnor	52,383	*
All Executive Officers and Directors as a group (7 persons).....	1,798,811(5)	1 0.1%
FMR Corp..... 82 Devonshire Street Boston, Massachusetts	2,248,667(6)	1 1.8%(6)

</TABLE>

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* Less than 1%.

(1) Shares not outstanding but deemed beneficially owned by virtue of the right of an individual to acquire them within 60 days upon the exercise of an option are treated as outstanding for purposes of determining beneficial ownership and the percent beneficially owned by such individual and for the executive officers and directors as a group.

(2) Excludes 2,750 shares held in trust for Mr. Franklin's minor children, as to which shares Mr. Franklin disclaims beneficial ownership.

(3) Includes 25,000 shares that Mr. Ashken has a right to acquire within 60 days upon the exercise of options. Excludes 2,500 shares held in trust for Mr. Ashken's minor children, as to which shares Mr. Ashken disclaims beneficial ownership.

(4) Includes 95,000 shares that Mr. Sullivan has a right to acquire within 60 days upon the exercise of options and 1,697 shares with respect to which Mr. Sullivan shares voting and investment power with his spouse.

(5) Includes 120,000 shares that members of the group have a right to acquire within 60 days upon the exercise of options. Excludes 5,250 shares held in trust for directors' children, as to which they disclaim beneficial ownership.

(6) In a Schedule 13G dated October 9, 1996 the Fidelity Management & Research Company ("Fidelity") a wholly owned subsidiary of FMR Corp. ("FMR") and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 1,747,966 shares or approximately 9.17% of the Company's Common Stock outstanding as of September 30, 1996 as a result of acting as investment adviser to several investment companies registered under Section 8 of the Investment Company Action of 1940. The number of shares of Benson Common Stock owned by the investment companies at December 31, 1995 included 927,484 shares

of the Company's Common Stock resulting from the assumed conversion of $5,333,033 principal amount of Notes. Edward C. Johnson III, FMR, through its control of Fidelity, and the investment companies each have the sole power to dispose of the 1,747,966 shares owned by the investment companies. Neither FMR nor Edward C. Johnson III has the sole voting power with respect to such shares, which voting power resides with the Board of Trustees of such investment companies. Additionally, Fidelity Management Trust Company, a wholly-owned subsidiary of FMR, is the beneficial owner of 500,701 shares, or 2.63% of such outstanding shares, of Common Stock, as a result of serving as investment manager of institutional accounts. Such shares result from the assumed conversion of $2,879,032 principal amount of Notes. According to such Schedule 13G, Edward C. Johnson III and FMR, through its control of Fidelity Management Trust Company, has sole voting and dispositive power over such 500,701 shares. The percent of Class indicated in the table was determined by FMR and reported in such Schedule 13G, as of October 9, 1996.

DESCRIPTION OF THE NOTES

The Notes were issued under an indenture dated as of May 3, 1996 (the "Indenture"), between the Company and IBJ Schroder Bank & Trust Company, as trustee (the "Trustee"). A copy of the Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture, including the definitions of certain capitalized terms used in this Prospectus.

GENERAL

The Notes are unsecured, subordinated obligations of the Company. As of December 20, 1996, the aggregate principal amount of the Notes is $21,018,565. The Notes bear interest from May 3, 1996 at the rate per annum set forth on the cover page of this Prospectus and will mature on May 3, 2002. The Notes were issued only in fully registered form without coupons in denominations of $1.00 and any integral multiple thereof.

The Notes bear interest, which is compounded semi annually, on May 3 and November 3 of each year commencing on May 3, 1996, on the principal sum thereof until the earliest to occur of the following (the "Interest Payment Date"): (1) May 3, 2002, (2) Conversion of the Notes or (3) Redemption of the Notes. Interest on the Notes is payable on the Interest Payment Date. The interest may be paid, at the Company's option, in cash or in shares of Common Stock valued at the average closing bid price for a share of Common Stock for the thirty (30) trading days immediately prior to the Interest Payment Date (the "Average Common Stock Price"), if there is in effect on the Interest Payment Date an effective registration statement with respect to the resale of shares of Common Stock.

Payments in respect of the principal of (and premium, if any) and interest on the Notes are payable at the office or agency of the Company in the Borough of Manhattan, the City of New York maintained for such purpose and at any other office or agency maintained by the Company for such purpose; provided, however, that (except as may be provided in any representation letter or agreement of the Company with a "clearing agency" registered under the Exchange Act) payment of the principal of and accrued but unpaid interest on (and premium, if any, on) the Notes shall be made only upon presentation and surrender thereof at any such office or agency. At the option of the Company, payment of interest may be made by check mailed to the address of the person entitled thereto at such address indicated in the Note Register.

The Indenture does not limit the amount of other Indebtedness (as defined below) or securities that may be issued by the Company or any of its Subsidiaries.

REDEMPTION

Subsequent to May 3, 1998, the Notes may be redeemed, at the option of the

Company, as a whole or from time to time in part, prior to maturity, upon not less than 30 nor more than 60 days' prior notice, at the applicable redemption prices (expressed in percentages of principal amount) set forth below:

If redeemed during the twelve-month period beginning

<TABLE>
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YEAR	REDEMPTION PRICE
1998	104.0%
1999	103.0%
2000	102.0%
2001	101.0%

</TABLE>

together with accrued and unpaid interest, if any, to the date fixed for redemption.

If less than all the Notes then outstanding are to be redeemed, the Trustee will select those to be redeemed as a whole or in part pro rata or by lot or by such method as the Trustee shall deem fair and appropriate and in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances. Notice of redemption will be mailed to holders of the Notes at their last address appearing on the Note Register.

No sinking fund is provided for the Notes.

CONVERSION RIGHTS

The Notes are convertible, in whole or from time to time in part into shares of Common Stock at any time on or prior to maturity on May 3, 2002, unless previously redeemed, at the conversion price of $5.75 per share (the "Conversion Price"), adjusted upon certain events described in the Indenture. The right to convert a Note called for redemption will terminate at the close of business on the redemption date unless the Company shall default in payment of the redemption price. No fractional shares will be issued upon conversion, but an appropriate cash payment will be made in respect of any fractional shares, based on the Daily Market Price (as defined in the Indenture) of the Common Stock at the close of business on the business day next preceding the day of conversion.

The Conversion Price is subject to adjustment upon certain events that occur after the date of the Indenture, generally including, but not limited to, (i) a dividend or distribution on Common Stock or a subdivision, combination or reclassification of Common Stock; (ii) the issuance to all holders of Common Stock of rights, warrants or options entitling them to subscribe for or purchase Common Stock (or securities convertible into Common Stock) at less than the current market price per share; (iii) the distribution to all holders of Common Stock of Capital Stock (other than Common Stock), evidences of Indebtedness or assets (including securities and cash, but excluding any cash dividend paid out of current or retained earnings and dividends and distributions of stock mentioned in (i) above) or rights, warrants or options to subscribe for or purchase securities of the Company (excluding the rights, warrants and options mentioned in (ii) above); (iv) the issuance of Common Stock to an affiliate for a net price per share less than the current market price per share on the date the Company fixes the

offering price of such additional shares (other than issuances of Common Stock under certain employee or director benefit plans of the Company); (v) the distribution, by dividend or otherwise, of cash (including any cash that is distributed as part of a distribution described in (iii) above) to all holders of Common Stock in an aggregate amount that, together with (x) the aggregate amount of any other distributions of cash that did not trigger a Conversion Price adjustment to all holders of its Common Stock within the 12 months preceding the date fixed for determining the stockholders entitled to such distribution and (y) the aggregate of any cash plus the fair market value of consideration that did not trigger a Conversion Price adjustment payable within the 12 months preceding the date fixed for determining the stockholders entitled to such distribution, exceeds 10% of the product of the current market price per share on the date fixed for the determination of stockholders entitled to receive such distribution. The Indenture also provides that if rights, warrants or options expire unexercised the Conversion Price shall be readjusted to take into account the actual number of such warrants, rights or options which were exercised. No adjustment of the Conversion Price is required to be made in any case until cumulative adjustments not yet made amount to 1% of the Conversion Price.

Subject to any applicable right of the holders to cause the Company to purchase their Notes upon a Change of Control (as defined below), in the case of certain consolidations or mergers with another corporation to which the Company is a party, or the conveyance, transfer, sale or lease of the Company's properties and assets as, or substantially as, an entirety, there will be no adjustment to the Conversion Price, but each holder of a Note will have the right, at such holder's option, to convert such holder's Note, during the period such Note is convertible, into the kind and amount of securities, cash or other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease, by a holder of the number of shares of Common Stock into which such Note might have been converted immediately prior to such consolidation, merger, conveyance, transfer, sale or lease (assuming such holder of Common Stock is not a Person or an Affiliate of such a Person with which the Company consolidated or merged or to which such conveyance, transfer, sale or lease was made, did not exercise any statutory rights of election and received per share the kind and amount of consideration received per share by holders of a plurality of non-electing shares of Common Stock). In the case of a cash merger of the Company into another corporation or any other cash transaction of the type mentioned above, the effect of these provisions would be that thereafter the Notes would be convertible at the Conversion Price in effect at such time into the same amount of cash per share into which the Notes would have been convertible had the Notes been converted into Common Stock immediately prior to the effective date of such cash merger or transaction. Depending upon the terms of such cash merger or transaction, the aggregate amount of cash into which the Notes would be converted could be more or less than the principal amount of the Notes.

MANDATORY CONVERSION

If the average closing sale price per share of the Common Stock for any 30 consecutive business day period during the term of the Notes equals or exceeds 135% of the Conversion Price, the Company may convert the outstanding principal thereof and all accrued but unpaid interest thereon into that number of fully paid and nonassessable shares of Common Stock (calculated to the nearest 1/100th of a share) obtained by dividing the principal amount of the Note and, to the extent permitted, all accrued but unpaid interest thereon by the Conversion Price.

SUBORDINATION

The indebtedness evidenced by the Notes is subordinate and junior in right of payment to Senior Indebtedness of the Company to the extent set forth in the Indenture. Upon any payment or distribution of assets of the Company upon any dissolution, winding up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise), the holders of any Senior Indebtedness

then outstanding are entitled to receive payments in full of all such Senior Indebtedness before the holders of the Notes are entitled to receive any payment on account of the principal of or interest on the Notes. No payment of principal of, premium, if any, or interest on the Notes will be made and the Company will not acquire any of the Notes (except through the conversion thereof) upon the occurrence of, or during the continuation of, any default in the payment of principal of, premium, if any, or interest on any Senior Indebtedness or the acceleration of such Senior Indebtedness. In addition, upon the occurrence and continuation of any default in respect of Senior Indebtedness other than a default described in payment of the principal of, premium, if any, or interest on any Senior Indebtedness, then no payment shall be made by the Company with respect to the principal of or premium, if any, or interest on the Notes for a period beginning on the date the Company receives notice of such default and ending on the date which is 179 days thereafter.

Any right of the Company and its general unsecured creditors, including the holders of the Notes, to participate in the assets of any of the Company's Subsidiaries upon any liquidation or reorganization of any such Subsidiary will be subject to the prior claims of that Subsidiary's creditors, including trade creditors (except to the extent the Company may itself be a creditor of such Subsidiary). Accordingly, the Notes will be effectively subordinated to all existing and future liabilities and obligations, including trade payables, of the Subsidiaries of the Company.

As of December 23, 1996, the total principal amount of Senior Indebtedness and liabilities and obligations of the Company's Subsidiaries (excluding intercompany Indebtedness) that would have effectively ranked senior to the Notes was approximately $20 million. The Indenture does not limit the amount of Senior Indebtedness that the Company may incur or the amount of Indebtedness that the Company's Subsidiaries may incur.

By reason of such subordination, creditors of the Company who are not holders of Senior Indebtedness may, subject to any subordination provisions that may be applicable to such creditors, recover more ratably than holders of the Notes.

The Indenture permits the Trustee to become a creditor of the Company and does not preclude the Trustee from enforcing its rights as a creditor, including rights as a holder of Senior Indebtedness.

CERTAIN DEFINITIONS

For purposes of the Indenture, the following terms will have the following meanings:

"Acquiring Person" means any person (as defined in Section 13(d)(3) or 14(d)(2) of the Exchange Act) who or which, together with all affiliates and associates (each as defined in Rule 1 2b-2 under the Exchange Act), becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act and as further defined below) of shares of Common Stock or other voting securities of the Company having more than 35% of the total voting power of the Voting Stock of the Company; provided, however, that an Acquiring Person shall not include (i) the Company, (ii) any Subsidiary of the Company, (iii) any Permitted Holder, (iv) an underwriter engaged in a firm commitment underwriting in connection with a public offering of the Voting Stock of the Company or (v) any current or future employee or director benefit plan of the Company or any Subsidiary of the Company or any entity holding Common Stock of the Company for or pursuant to the terms of any such plan; provided further, however, that no person shall be an Acquiring Person as long as the Permitted Holders beneficially own a greater percentage of the total voting power of the Voting Stock of the Company than such other person beneficially owns. Notwithstanding the foregoing, no person shall become an Acquiring Person as the result of (A) a reverse stock split or (B) an acquisition of Common Stock by the Company, in either case which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such person to more than 35% of the Common Stock of the Company then outstanding; provided, however, that if a person shall become the beneficial owner of 35% or more of the Common Stock of the Company then outstanding by reason of a reverse stock split or share purchases by the Company and shall, after such reverse stock split or

share purchases by the Company, become the beneficial owner of any additional shares of Common Stock of the Company (except through the receipt or the exercise of stock options after such reverse stock split or purchases by the Company, so long as (i) the stock options were granted pursuant to an employee or

director benefit plan approved by stockholders and (ii) the aggregate number of shares so acquired or subject to such options by any person does not exceed 10% of the number of shares of Common Stock outstanding immediately after such stock split or purchases by the Company), then such person shall be deemed to be an Acquiring Person. For purposes hereof (A) a person shall be deemed to have beneficial ownership of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time, (B) the Permitted Holders shall be deemed to beneficially own any Voting Stock of a corporation (the "specified corporation") held by any other corporation (the "parent corporation") so long as the Permitted Holders beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, in the aggregate a majority of the total voting power of the Voting Stock of the parent corporation and (C) such other person shall be deemed to beneficially own any Voting Stock of a specified corporation held by a parent corporation, if such other person beneficially owns (as defined in Rules 13d-3 and 13d-5 under the Exchange Act and clause (A) above), directly or indirectly, more than 35% of the voting power of the Voting Stock of such parent corporation and the Permitted Holders beneficially own (as defined in clause (B) above), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent corporation than such other person beneficially owns (as defined in Rules 13d-3 and 13d-5 under the Exchange Act and clause (A) above) or do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of such parent corporation. For purposes hereof, a person shall not be deemed to be the beneficial owner of (A) any securities tendered pursuant to a tender or exchange offer made by or on behalf of such person or any of such person's affiliates until such tendered securities are accepted for purchase or exchange thereunder, or (B) any securities if such beneficial ownership (1) arises solely as a result of a revocable proxy delivered in response to a proxy or consent solicitation made pursuant to the applicable rules and regulations under the Exchange Act, and (2) is not also then reportable on Schedule 13D (or any successor schedule) under the Exchange Act.

"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" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" shall have the meanings correlative to the foregoing.

"Capitalized Lease Obligations' means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with generally accepted accounting principles; and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with generally accepted accounting principles; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such

equity.

"Closing sale price" shall mean (x) if the Common Stock is listed or admitted for trading on any national securities exchange, the last sales price or the closing bid price if no sale occurred, of Common Stock on the principal securities exchange on which such class of stock is listed (the "Stock Exchange"), (y) if the Common Stock is not listed or admitted for trading on any such exchange, the last reported sales price of Common Stock on the NASDAQ Stock Market, or any similar system of automatic quotations of securities prices then in common use, if so quoted, or (z) if not so quoted as described in clause (y), the mean between the high and low asked quotations for the Common Stock as reported by the National Quotation Bureau Incorporated if at least two securities dealers have inserted both bid and asked quotations for such class of stock on at least five of the ten trading days preceding the day in question.

"Disqualified Stock" of a Person means Redeemable Stock of such Person as to which the maturity, mandatory redemption, conversion or exchange or redemption at the option of the holder thereof occurs, or may occur, on or prior to the first anniversary of the Stated Maturity of the Notes.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any currency swap protection agreement, interest rate protection agreement or other similar agreement.

"Incur" means issue, assume, Guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be incurred by such Subsidiary at the time it becomes a Subsidiary. The terms "Incurred", "Incurrence" and "Incurring" shall each have a correlative meaning.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication),

(i) the principal of and premium, if any, in respect of indebtedness of such Person for borrowed money;

(ii) the principal of and premium, if any, in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(iii) all Capitalized Lease Obligations of such Person;

(iv) all obligations of such Person to pay the deferred and unpaid purchase price of property or services (except Trade Payables), which purchase price is due more that six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services;

(v) all obligations of such Person in respect of letters of credit, banker's acceptances or other similar instruments or credit transactions (including reimbursement obligations with respect thereto);

(vi) the amount of all obligations of such Person with respect to the

redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(vii) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness shall be the lesser of (A) the fair market value of such asset at such date of determination and (B) the amount of such Indebtedness of such other Persons;

(viii) all Indebtedness of other Persons to the extent Guaranteed by such Person; and

(ix) to the extent not otherwise included in this definition, obligations in respect of Hedging Obligations.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Permitted Holders" means, collectively, Martin E. Franklin, and his estate, spouse, ancestor, and lineal descendants (and spouses thereof) the legal representatives of any of the foregoing and the trustee of any bona fide trust of which one or more of the foregoing are the sole beneficiaries or the grantors, or any Person of which any of the foregoing, individually or collectively, beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) voting securities representing at least a majority of the total voting power of all classes of Capital Stock of such Person (exclusive of any matters as to which class voting rights exist).

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Stock", as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"Redeemable Stock" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (ii) is convertible or exchangeable for Indebtedness (other than Preferred Stock) or Disqualified Stock or (iii) is redeemable at the option of the holder thereof, in whole or in part.

"Senior Indebtedness" means the principal of, premium, if any, and interest on and other amounts due on any Indebtedness, whether outstanding on the date of execution of the Indenture or thereafter issued, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding it is provided that such obligations are not superior in right of payment to the Notes; provided, however, that Senior Indebtedness shall not include (1) any obligation of the Company to any affiliate, (2) any liability for Federal, state, local or other taxes owed or owing by the Company, (3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or

instruments evidencing such liabilities), (4) any Indebtedness, Guarantee or obligation of the Company which is subordinate or junior in any respect to any other Indebtedness, Guarantee or obligation of the Company, including any Senior Subordinated Indebtedness and any Subordinated Obligations, (5) any obligations with respect to any Capital Stock or (6) any Indebtedness Incurred in violation of this Indenture.

"Senior Subordinated Indebtedness" means the Notes and any other Indebtedness of the Company that specifically provides that such Indebtedness is to rank pari passu with the Notes and is not subordinated by its terms to any Indebtedness or other obligation of the Company which is not Senior Indebtedness.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"Subordinated Obligation" means any Indebtedness of the Company (whether outstanding on the date of execution of the Indenture or thereafter Incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement.

"Subsidiary" of any Person means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) 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 (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person.

"Trade Payables" means, with respect to any Person, any accounts payable or any Indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person arising in the ordinary course of business of such Person in connection with the acquisition of goods or services.

"Voting Stock" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of directors.

CONSOLIDATION, MERGER OR SALE

The Indenture provides that the Company shall not consolidate with or merge into any other Corporation or convey, transfer, sell or lease its properties and assets as, or substantially as, an entirety to any Person unless: (i) the corporation formed by such consolidation or into

which the Company is merged or the Person which acquires by conveyance, transfer, sale or lease the properties and assets of the Company as, or substantially as, an entirety shall be a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and shall, by supplemental indenture, expressly assume the due and punctual payment of the principal of, and premium, if any, and interest on all the Notes and the performance of every covenant of the Indenture on the part of the Company to be performed or observed; and (ii) immediately after giving effect to such transaction, no Event of Default, or event which after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; provided, however, that if such consolidation or merger constitutes a Change of Control, the Company may be obligated to purchase all or any portion of a holder's Notes.

CHANGE OF CONTROL

In the event of a Change of Control, each holder of Notes will have the right, at the holder's option, subject to the terms and conditions of the

Indenture, to require the Company to purchase for cash all or any part (provided that the principal amount must be $1,000 or an integral multiple thereof) of the holder's Notes on the date (the "Purchase Date") that is the first business day that is 40 or more days after mailing by the Company of a notice that a Change of Control has occurred for a purchase price equal to 101% of the principal amount thereof, plus interest accrued and unpaid thereof to the Purchase Date. However, if the Company is prohibited by applicable law from mailing such notice to holders or purchasing Notes from the holders thereof in the event of a Change of Control, the Company will have no such obligation to purchase a holder's Notes for so long as such prohibition is in effect.

Within 20 days (or such other period permitted under the terms of the Indenture) after the occurrence of the Change of Control (or, in the case of a Change of Control referred to in clause (ii) of the definition thereof set forth below, upon notice to the Company thereof), the Company or, at the option of the Company, the Trustee shall mail to each holder (and to beneficial owners as required by law) a notice of the occurrence of the Change of Control, setting forth, among other things, the circumstances and relevant facts regarding such Change of Control and the terms and conditions of, and the procedures required for exercise of, the holder's right to require the purchase of such holder's Notes. The Company shall deliver a copy of such notice to the Trustee and cause a copy of such notice to be published in a newspaper of national circulation, which shall be The Wall Street Journal unless it is not then so circulated.

To exercise the purchase right, a holder must deliver written notice of such exercise to the Company (or any paying agent designated in the Company notice) and surrender the Notes to be purchased prior to the close of business five business days prior to the Purchase Date, specifying the Notes with respect to which the right of purchase is being exercised. Such notice

of exercise may be withdrawn by the holder by a written notice of withdrawal delivered to the Trustee at any time prior to the close of business three business days prior to the Purchase Date.

Under the Indenture, a "Change of Control" is deemed to have occurred at such time as (i) the assets of the Company shall be sold as, or substantially as, an entirety to any Person or related group of Persons, (ii) there shall be consummated any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation (other than a consolidation or merger with a wholly owned subsidiary of the Company in which all shares of Common Stock outstanding immediately prior to the effectiveness thereof are changed into or exchanged for the same consideration) or pursuant to which the Common Stock would be converted into cash, securities or other property, in each case, other than a consolidation or merger in which the holders of Common Stock immediately prior to the consolidation or merger have, directly or indirectly, at least a majority of the common stock of the continuing or surviving corporation immediately after the consolidation or merger, or (iii) any Acquiring person has become such Person. However, a Change of Control shall not be deemed to have occurred if either (a) the daily market price of the Common Stock for any five trading days during the ten trading days immediately preceding the Change of Control is at least equal to 105% of the Conversion Price in effect immediately preceding the time of such Change of Control or (b) the consideration, in the transaction giving rise to such Change of Control, to the holders of Common Stock consists of cash, securities that are, or immediately upon issuance will be, listed on a national securities exchange or quoted on the Nasdaq National Market, or a combination of cash and such securities, and the aggregate fair market value of such consideration is at least 105% of the Conversion Price in effect on the date immediately preceding the closing date of such transaction.

The right to require the Company to purchase Notes as a result of a Change of Control could create both a comparable right in the holders of Senior Indebtedness to cause the Company to purchase such Senior Indebtedness and an event of default under Senior Indebtedness of the Company as a result of which any purchase could, absent a waiver, be blocked by the subordination provisions of the Notes. The Company's Board of Directors may not waive a Change of Control. Failure by the Company to purchase the Notes when required will result in an Event of Default with respect to the Notes whether or not such a purchase is permitted by the subordination provisions. The right to require the Company

to purchase the Notes in the event of a Change of Control could delay or deter a Change of Control, whether or not such Change of Control were supported by the Board of Directors of the Company.

If a Change of Control were to occur, there can be no assurance that the Company would have sufficient funds to pay the purchase price for all Notes tendered by the holders thereof. The Company's ability to make such payments may be limited by the terms of its then-existing borrowing and other agreements. Notes may not be purchased if there has

occurred prior to, on or after the giving of the required notice by the holders of such Notes, and is continuing an Event of Default under the Indenture (other than a default in the payment of the purchase price and certain other defaults with respect to such Notes).

NO RESTRICTIONS ON CERTAIN ACTIONS

The Indenture contains no limitations on the ability of the Company or any of its Subsidiaries to Incur Indebtedness, grant Liens, enter into certain sale and leaseback transactions, declare or pay dividends or make other distributions to stockholders.

EVENTS OF DEFAULT

An "Event of Default" with respect to the Notes is defined in the Indenture as generally being: (i) default in the payment of principal of, or accrued but unpaid interest or premium, if any, on the Notes either in connection with any redemption, required purchase upon a Change of Control or otherwise and whether or not such payment is prohibited by the subordination provisions; (ii) failure to observe or perform for 60 days after written notice thereof by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding of any other covenant or warranty in the Indenture; (iii) default in respect of indebtedness of the Company or any Subsidiary for money borrowed which results in acceleration of the maturity of $1,000,000 or more of such indebtedness, if such acceleration is not rescinded or annulled or if such indebtedness is not discharged within 30 days after written notice to the Company as provided in the Indenture; (iv) certain events of bankruptcy, insolvency, reorganization, receivership or liquidation involving the Company or any Subsidiary; or (v) failure to comply with provisions in the Indenture prohibiting certain consolidations or mergers, or conveyances, transfers, sales or leases of the Company's property and assets as, or substantially as, an entirety.

The Company is required to file with the Trustee annually a written statement as to the fulfillment of its obligations under the Indenture and the Trustee is generally required to mail notice of defaults to the holders of the Notes within 90 days after the occurrence of any Company default under the Indenture unless such default shall have been cured or waived. The Indenture provides that the Trustee may withhold notice to the holders of the Notes of any default (except in payment of principal of, premium, if any, or interest on the Notes) if the Trustee considers it in the interest of the holders of the Notes to do so; provided, however, the Trustee is required to withhold notice of certain covenant defaults for a period of 60 days after the occurrence thereof. The Indenture provides that, if an Event of Default (other than an Event of Default resulting from certain events of bankruptcy, insolvency or reorganization) shall have occurred and be continuing, either the Trustee or the holders of 25% or more in aggregate principal amount of the Notes then outstanding may declare the principal of all the Notes and the interest accrued thereon to be due and payable immediately, but if, before a judgment or decree based on such acceleration has been obtained, the Company shall cure all

defaults (except the nonpayment of principal of, and accrued interest on Notes which shall have become due by acceleration) and certain other conditions are met, such declaration may be rescinded and annulled by the holders of a

majority in aggregate principal amount of the Notes then outstanding. For information as to waiver of defaults, see "--Modification and Waiver" below. In the case of an Event of Default resulting from certain events of bankruptcy, insolvency or reorganization, the Indenture provides that all unpaid principal of, premium, if any, and accrued interest on the Notes then outstanding shall be due and payable immediately without any declaration or other act on the part of the Trustee or the holders of Notes.

Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default should occur and be continuing, the Trustee shall be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders of Notes, unless such holders have offered to the Trustee reasonable indemnity. Subject to such provision for indemnification, the holders of a majority in principal amount of the Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the action or proceeding so directed conflicts with any rule of law or the Indenture, or the action or proceeding so directed might involve the Trustee in personal liability or would be unduly prejudicial to the rights of the holders not joining in such directions.

MODIFICATION AND WAIVER

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority of the aggregate principal amount of the Notes then outstanding, to execute a supplemental indenture to add provisions to, or change in any manner or eliminate any provisions of, the Indenture or modify in any manner the rights of the holders of the Notes, provided that no such supplemental indenture shall, among other things without the consent of holders of each outstanding Note affected thereby, (1) extend the fixed maturity of any Note or reduce the rate or extend the time of payment of principal of, or premium, if any, or interest on any Note or reduce the principal amount thereof or any premium or interest thereon or any amount payable upon the redemption or required purchase thereof or impair or affect the right of any holder to institute suit for payment of the Notes on or after the date on which the same shall become due and payable, or make the principal thereof or any premium or interest thereon payable at a place or in any coin or currency other than that provided in the Indenture, or modify the subordination provisions of the Indenture in a manner adverse to the holders of the Notes or impair the right to convert the Notes into Common Stock or to require the Company to purchase the Notes upon the occurrence of a Change of Control, or (2) reduce the percentage in principal amount of outstanding Notes, the holders of which must consent to authorize any such supplemental indenture, or the holders of which must consent to any waiver under the Indenture.

The holders of a majority in aggregate principal amount of the Notes then outstanding also may, on behalf of the holders of all Notes, waive any past default under the Indenture, except an uncured default in the payment of the principal of, or premium, if any, or interest on any Note, a failure by the Company to convert any Notes into Common Stock or in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the holder of each outstanding Note.

CONCERNING THE TRUSTEE

IBJ Schroder Bank & Trust Company is the Trustee under the Indenture and has been appointed by the Company as Registrar and Paying Agent for the Notes. IBJ Schroder Bank & Trust Company from time to time may extend credit to the Company in the ordinary course of business. The Trustee's current address is One State Street, New York, New York, 10004. Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default should occur and be continuing, the Trustee shall be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders of Notes, unless such holders have offered to the Trustee indemnity satisfactory to it. Subject to such provision for indemnification, the holders of a majority in principal amount of the Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the action or proceeding so directed conflicts with any rule of law or the Indenture, or the action or proceeding so directed might involve the Trustee in personal liability or would be unduly prejudicial to the rights of the holders not joining in such directions.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following summary is a general discussion of the material United States Federal income tax consequences of the ownership, disposition and conversion of the Notes by holders of the Notes. This summary does not discuss the tax consequences that may be relevant to certain types of investors subject to special treatment under the Federal income tax laws (such as individual retirement accounts and other tax-deferred accounts, life insurance companies and tax-exempt organizations) and does not discuss the tax consequences to subsequent purchasers of the Notes. It is limited to investors who will hold the Notes and Common Stock as capital

assets. Purchasers of the Notes should consult their own tax advisors with respect to their particular circumstances and with respect to the effects of state, local or non-United States tax laws to which they may be subject

For the purposes of this discussion, a "U.S. holder" refers to any holder other than a "Foreign holder." A Foreign holder means any holder that is not (i) an individual who is a citizen or resident of the United States, (ii) a corporation or partnership created or organized in the United States or any state or (iii) an estate or trust, the income of which is includable in income for United States Federal income tax purposes regardless of its source, but only if the income or gain on the Note is not effectively connected with the conduct of a United States trade or business within the United States by such holder.

UNITED STATES HOLDERS

Interest

Interest on the Notes, which at the option of the Company may be paid in cash or in shares of Common Stock, will be taxable to a U.S. holder as ordinary income. Since under the terms of the Notes interest is not payable currently, the original issue discount provisions of the Internal Revenue Code of 1986, as amended, will apply. Under these provisions, a holder of a Note is required, regardless of the holder's regular method of accounting, to accrue the interest income on a daily basis during the term of the Note even though the Company will not pay the interest, at its election either in cash or in shares of Common Stock, until the maturity, redemption or conversion of the Notes. Under the original issue discount rules, a holder would accrue an amount of interest income each year that approximates the deferred interest payments called for under the terms of the Notes, and actual payments of interest on the Notes on maturity, redemption or conversion of the Notes, either in cash or in shares of Company Common Stock, would not be reported separately as taxable income. Holders of the Notes should consult their own tax advisors with respect to their particular circumstances.

Any premium (if any) paid by the Company on the redemption of the Notes also will be treated as interest income to holders of the Notes.

Disposition or Conversion

General. A U.S. holder's tax basis for determining gain or loss on the sale

or other disposition of a Note equals such holder's cost for the Note, increased by the amount of any interest included in income but not paid. Any gain or loss upon a sale or other disposition of a Note (including a sale to or redemption by the Company that is paid in cash) will be capital gain or loss (which will be long-term capital gain or loss if a Note is held for more than one year).

Conversion. A U.S. holder's conversion of a Note into Common Stock is generally not a taxable event (except with respect to cash received in lieu of a fractional share, discussed below, or to the extent the U.S. holder receives cash instead of Common Stock). The U.S. holder's basis in the Common Stock received on conversion of a Note will be the same as the U.S. holder's basis in the Note at the time of conversion (exclusive of any tax basis allocable to a fractional share), and the holding period for the Common Stock received on conversion will include the holding period of the Note converted. If the Company pays cash rather than Common Stock upon delivery of the Notes for conversion, any excess of such cash received over the U.S. holder's tax basis in its Notes should constitute taxable capital gain.

Cash received in lieu of a fractional share of Common Stock upon conversion of a Note should be treated as a payment in exchange for the fractional share interest in such Common Stock. Accordingly, the receipt of cash in lieu of a fractional share of Common Stock should generally result in capital gain or loss (measured by the difference between the cash received for the fractional share interest and the U.S. holder's tax basis in the fractional share interest).

Constructive Dividend

If at any time the Company makes a distribution of property to shareholders that would be taxable to such shareholders as a dividend for Federal income tax purposes (for example, distributions of evidences of Indebtedness or assets of the Company, but generally not stock dividends or rights to subscribe for Common Stock) and, pursuant to the anti-dilution provisions of the Indenture, the Conversion Price of the Notes is decreased, such decrease may be deemed to be the payment of a taxable dividend to U.S. holders of Notes. If the Conversion Price is decreased at the discretion of the Company, such decrease may be deemed to be the payment of a taxable dividend to U.S. holders of Notes.

FOREIGN HOLDERS

Treatment of Notes. Under United States Federal income and estate tax law as now in effect and subject to the discussion below under "Backup Withholding Tax," (a) payments of principal of, premium, if any, and interest on any Note by the Company or any of its paying agents to any Foreign holder will not be subject to United States Federal withholding tax, (b) any gain or income realized by any Foreign holder upon the sale, exchange or redemption of any Note will not be subject to United States Federal income or withholding tax, provided in the case of either clause (a) or (b) above that (i) such holder is not a Person who owns (directly or by attribution) 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote, (ii) such holder is not a "controlled foreign corporation" (within the meaning of Section 957(a) of the Code) with respect to which the Company is a "related person" within the meaning of Section 864(d)(4) of the Code, (iii) such holder has provided an Internal Revenue Service Form W-8 signed under penalties of perjury and such form is currently valid (iv) in the case of clause (b) above, such holder does not have a connection or status with respect to the United States including (x) such holder's present or former status as a personal holding company or a foreign personal holding company with respect to the United States, a foreign private foundation or other foreign tax exempt organization described in Section 1443 of the United States Internal Revenue Code of 1986, as amended, or a passive foreign investment company for United States tax purposes or a corporation which accumulates earnings to avoid United States Federal income tax, or (y) such holder being considered as having made an election the effect of which is to make payments of principal of and premium, if any, and interest on the Notes subject to United States Federal income tax and (z) in the case of clause (b) above, the Company has not been, is not and will not become a "United States real property holding corporation" for United States Federal income tax purposes, and (c) a Note held by an

individual who at time of death is not a citizen or resident of the United States will not be subject to United States Federal estate tax as a result of such individual's death, provided that such individual is not at the time of death a 10% shareholder of the Company as described above and provided further that interest paid to such individual on such Note would not have been effectively connected to the conduct by such individual of a trade or business in the United States as described below.

Treatment of Common Stock. In the event a holder exercises its right to convert any Note into Common Stock of the Company, dividends paid with respect to Common Stock received by a Foreign holder will generally be subject to withholding of United States Federal income tax at the rate of 30% unless the dividend is effectively connected with the conduct of a trade or business within the United States by the holder, in which case the dividend will be subject to the United States Federal income tax on net income that applies to United States Persons (and, with respect to certain corporate holders, the branch profits tax). Foreign holders should consult any applicable income tax treaties, which may provide for reduced withholding or other rules different from those described above. A Foreign holder may be required to satisfy certain certification requirements in order to claim treaty benefits or to otherwise claim a reduction or exemption from withholding under the foregoing rules.

A Foreign holder will generally not be subject to United States Federal income tax on gain recognized on a sale or other disposition of Common Stock unless the Company has been, is or becomes a "United States real property holding corporation" for United States Federal income tax purposes and certain other requirements are met. The Company believes that it has not been, is not currently, and is not likely to become, a United States real property holding corporation. In addition, a Foreign holder that is an individual who holds the Common Stock as a capital asset will generally be subject to tax at a 30% rate on any gain recognized on the disposition of such stock if such individual is present in the United States for 183 days or more in the taxable year of disposition and either (i) has a "tax home" in the United States (as specially defined for purposes of the United States Federal income tax) or (ii) maintains an office or other fixed place of business in the United States and the income from the sale of the stock is attributable to such office or other fixed place of business.

Common Stock owned or treated as owned by an individual who is not a citizen or resident (as specially defined for United States Federal estate tax purposes) of the United States at the date of death will be included in such individual's estate for United States Federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

BACKUP WITHHOLDING TAX

Treatment of Notes. A 31% "backup" withholding tax and information reporting requirements apply to certain payments of principal, and premium, if any, and interest on, an obligation, and payments of the proceeds of the sale of an obligation before maturity, to certain non-corporate United States holders. Under current United States Treasury Department regulations, backup withholding and information reporting will not apply to payments of principal, premium, if any, and interest on Notes made outside the United States (other than payments made to an address in the United States or by transfer to an account maintained by the holder with a bank in the United States) by the Company or any paying agent (acting in its capacity as such) to a holder thereof so long as neither the Company nor such paying agent has

actual knowledge that the holder or beneficial owner, as the case may be, is a U.S. Person. Furthermore, holders must provide Internal Revenue Service Form W-8 or Form W-9, as the case may be, in order to avoid the imposition of backup withholding.

If any such payments of principal, premium, if any, or interest with respect to a Note are made to the beneficial owner thereof by the foreign office of a foreign custodian, foreign nominee or other foreign agent of such beneficial owner, or the foreign office of a foreign "broker" (as defined in applicable Treasury Department regulations) pays the proceeds of the sale of a Note to the seller thereof, backup withholding and information reporting will not apply (provided that such nominee, custodian, agent or broker derives less than 50% of its gross income for certain periods from the conduct of a trade or business in the United States and is not a "controlled foreign corporation" within the meaning of Section 957(a) of the Code). Such payments of principal, premium, if any, or interest with respect to a Note so made by the foreign offices of other custodians, nominees or agents, or the payment by the foreign offices of other brokers of the proceeds of the sale of a Note or coupon, will not be subject to backup withholding, but will be subject to information reporting unless the custodian, nominee, agent or broker has documentary evidence in its records that the beneficial owner is not a U.S. Person and certain conditions are met. or the beneficial owner otherwise establishes an exemption.

Payment of principal, premium, if any, or interest with respect to a Note made by the United States office of a custodian, nominee or agent, or the payment by the United States office of a broker of the proceeds of a sale of a Note, will be subject to both backup withholding and information reporting unless the beneficial owner certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

Treatment of Common Stock. The Company must report annually to the internal Revenue Service (the "Service") and to each Foreign holder the amount of dividends paid to, and the tax withheld with respect to, such holder, regardless of whether tax was actually withheld. This information may also be made available to the tax authorities of the country in which the Foreign holder resides.

United States Federal backup withholding and information reporting with respect to such withholding will generally not apply to dividends paid to Foreign holders that are subject to withholding at the 30% rate under current rules (or would be so subject but for a reduced rate under an applicable treaty). In addition, the payer of dividends may rely on the payee's foreign address in determining that the payee is exempt from backup withholding and information reporting, unless the payer has knowledge that the payee is a United States Person; however, these rules are proposed to be changed.

The backup withholding and information reporting requirements described above under "Treatment of Notes" with respect to payments made by the foreign office of a foreign broker or the foreign or United States office of a United States broker will also apply to the gross proceeds paid to a Foreign holder upon the disposition of Common Stock.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company as stated in the Company's Restated Certificate of Incorporation (the "Restated Certificate") consists of 50,000,000 shares of Common Stock, $.01 par value per share, and 500,000 shares of preferred stock, $1.00 par value per share (the "Preferred Stock").

The following summary of certain terms of the Company's capital stock describes material provisions of, but is necessarily a summary and is subject to and qualified in its entirety by, the Restated Certificate, the Company's Bylaws, and applicable provisions of Delaware corporate law including, but not limited to, the Delaware General Corporations Law (the "DGCL").

COMMON STOCK

The holders of Common Stock are entitled to one vote per share on all matters to be submitted to a vote of the stockholders and are not entitled to cumulative voting in the election of directors, which means that the holders of the majority of the shares voting for the election of directors can elect all of the directors then standing for election by the holders of Common Stock.

Subject to prior dividend rights, the holders of Common Stock are entitled to share ratably in such dividends, if any, as may be declared from time to time by the Board in its discretion out of funds legally available therefor. The holders of Common Stock are entitled to share ratably in any assets remaining after satisfaction of all prior claims upon liquidation of the Company, including prior claims of any outstanding Preferred Stock. The Restated Certificate gives holders of Common Stock no preemptive or other subscription rights, and Common Stock is not redeemable at the option of the holders, does not have any conversion rights, and is not subject to call. The rights, preferences and privileges of holders of Common Stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of Preferred Stock that the Company may designate and issue in the future.

PREFERRED STOCK

Under the terms of the Company's Restated Certificate, the Board of Directors is authorized, subject to any limitations prescribed by law, without stockholder approval, to issue up to 500,000 shares of Preferred Stock in one or more series. Each such series of Preferred Stock shall have such preferences, privileges, restrictions and rights, including voting, dividend, conversion and redemption and liquidation preferences, as shall be determined by the Board of Directors.

The purpose of authorizing the Board of Directors to issue Preferred Stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of the outstanding voting stock of the Company. The Company has no present plans to issue any shares of Preferred Stock.

DIVIDEND POLICY

The Company does not currently intend to declare or pay any dividend on the shares of Common Stock. The payment of cash dividends in the future will depend on the Company's earnings, financial condition, capital needs and other factors deemed relevant by the Board, including corporate law restrictions on the availability of capital for the payment of dividends, the rights of holders of any series of Preferred Stock that may hereafter be issued and the limitations, if any, on the payment of dividends under any then-existing credit facility or other indebtedness. The Company's current credit facility contains and the Company anticipates that any bank revolving credit facility or other indebtedness, if any, that the Company may incur would contain, certain restrictions on the payment of dividends. It is the current intention of the Board to retain earnings, if any, to finance the operations and expansion of the Company's business.

DELAWARE ANTI-TAKEOVER LAW AND CERTAIN CHARTER AND BY-LAW PROVISIONS

Pursuant to the Restated Certificate, the Company expressly elected not to be governed by the anti-takeover provisions of Section 203 of the DGCL. Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years did own, 15% of the corporation's voting stock.

LIMITATIONS OF LIABILITY

The Restated Certificate contains provisions permitted under the DGCL relating to the liability of directors. The provisions eliminate a director's liability for monetary damages for a breach of fiduciary duty as a director, except for liability in certain circumstances involving wrongful acts, such as the breach of a director's duty of loyalty or acts or omissions which involve

intentional misconduct or a knowing violation of law. Further, the Restated Certificate and the Company's By-Laws contain provisions to indemnify the Company's directors and

officers to the fullest extent permitted by the DGCL, including payment in advance of a final deposition of a director's or officer's expenses and attorneys' fees incurred in defending any action, suit or proceeding. The Company believes that these provisions will assist the Company in attracting and retaining qualified individuals to serve as directors.

The Company has entered into indemnification agreements with each of its directors and officers. These indemnification agreements provide for the indemnification by the Company of such directors and officers for liability for acts and omissions as directors and executive officers of the Company. The Company believes that its Restated Certificate and Bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

The Company currently maintains an executive liability insurance policy which provides coverage for its directors and officers. Under this policy, the insurer agreed to pay, subject to certain exclusions (including violations of securities laws), for any claim made against a director or officer of the Company for a wrongful act by such director or officer, but only if and to the extent such director or officer becomes legally obligated to pay such claim or the Company is required to indemnify the director or officer for such claim.

TRANSFER AGENT AND REGISTRAR.

The transfer agent and registrar for the Notes is IBJ Schroder Bank & Trust Company and for the Common Stock is currently Continental Stock Transfer and Trust Company; however, the Company has appointed National City Bank as its new transfer agent and registrar for Common Stock, to be effective January 1, 1996.

MARKET PRICES OF THE COMPANY'S COMMON STOCK

Subsequent to the Spinoff and Merger, as of May 3, 1996 the Common Stock has been listed on the New York Stock Exchange under the symbol "EYE." The following table sets forth the high and low sale prices of the Common Stock as reported, subsequent to May 3, 1996, on the composite tape of the exchange for each of the quarters indicated.

<TABLE>
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FISCAL YEAR 1996	HIGH	LOW
<S>	<C>	<C>
Fourth Quarter (through December 20, 1996)	$5.25	$4.00
Third Quarter	$5.75	$3.63
Second Quarter (from May 3)	$7.75	$4.00
First Quarter(1)	N/A	N/A

</TABLE>

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(1) The Company's common stock commenced trading publicly from May 3, 1996.

As of December 20, 1996, there were approximately 600 stockholders of record of Common Stock (representing approximately 5,000 beneficial owners of Common Stock).

No dividends have ever been declared on Common Stock. However, for accounting purposes, cash proceeds received by the holders of Benson Common Stock in connection with the Merger were reflected as dividends. The Company has no intention of paying dividends in the foreseeable future. It is the present policy of the Company's Board of Directors that any retained earnings accumulated will be used to finance future acquisitions and expansion of the Company's operations. See "DESCRIPTION OF CAPITAL STOCK - Dividend Policy."

LEGAL MATTERS

Certain legal matters with respect to the validity of the Notes and Shares will be passed upon for the Company by Kane Kessler, P.C., New York, New York.

EXPERTS

The consolidated financial statements incorporated in this Prospectus by reference to the Company's Current Report on Form 8-K (the "Report") filed with the Securities and Exchange Commission on June 7, 1996, except as they relate to Bolle America, Inc., as of December 31, 1994 and for each of the years in the two year period ended December 31, 1994, have been audited by Price Waterhouse LLP, independent accountants, and insofar as they relate to Bolle America, Inc., for the periods referred to above by KPMG Peat Marwick LLP, whose reports thereon are incorporated by reference herein from the Report. Such financial statements are incorporated by reference herein in reliance on the reports of such independent accountants given on the authority of such firms as experts in auditing and accounting.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith is required to file periodic reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, as well as the Regional Offices of the SEC at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of such materials can be obtained upon written request from the Public Reference Section of the Commission at its principal office at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 at prescribed rates. In addition, similar information can be inspected at The New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

The Company has filed with the Commission a registration statement on Form S-3 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which have been omitted in accordance with the rules and regulations of the Commission. For further information, reference is hereby made to the Registration Statement. Each statement made in this Prospectus concerning a document filed as part of the Registration Statement is qualified in its entirety by reference to such document for a complete statement of its provisions. The Registration Statement may be inspected without charge at the offices of the Commission or copies thereof obtained at prescribed rates from the Public Reference Section of the Commission, at the addresses set forth above.

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No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the offer made by this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or by any of the Underwriters. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof.

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$21,045,565

8% CONVERTIBLE

SUBORDINATED NOTES
DUE 2002

- AND -

UP TO 6,000,000
SHARES OF
COMMON STOCK OF

BEC GROUP, INC.

PROSPECTUS
DATED ____, 1996

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution

The following table sets forth the various expenses other than the underwriting discounts and commissions (if any) in connection with the sale and distribution of the securities being registered which will be paid solely by the Company. All the amounts shown are estimates, except the SEC registration fee:

<TABLE>
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	Amount
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SEC registration fee.....	$ 9,492.97
Legal and accounting fees and expenses.....	50,000.00
Blue Sky fees and expenses.....	5,000.00
Miscellaneous expenses.....	5,000.00
Total.....	$69,492.97

</TABLE>

Item 15. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law (the "DGCL") empowers a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation) by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. A corporation may, in advance of the final disposition of any civil, criminal, administrative or investigative action, suit or proceeding, pay the expenses (including attorneys' fees) incurred by any officer, director, employee or agent in defending such action, provided that the director or officer undertakes to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation. A corporation may indemnify such person against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if he acted in good

faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe his conduct was unlawful.

A Delaware corporation may indemnify officers and directors in an action by or in the right of the corporation to procure a judgment in its favor under the same conditions, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses (including attorneys' fees) which he actually and reasonably incurred in connection therewith. The indemnification provided is not deemed to be exclusive of any other rights to which an officer or director may be entitled under any corporation's by-law, agreement, vote or otherwise. In accordance with Section 145 of the DGCL, BEC Group, Inc. (the "Company") Restated Certificate of Incorporation, as amended (the "Restated Certificate") and Article VI, Sections 1-3, of the Company By-laws (the "By-laws"). The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit, proceeding or claim by or in the right of the Company to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprises against expenses (including attorney's fees and expenses) actually and reasonably incurred by him and to the extent permitted by applicable law in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company; except that no indemnification shall be made

in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses and amounts which the Court of Chancery or such other court shall deem proper.

Any indemnification under the By-laws Article VI (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in the By-laws. Such determination and other determinations under the By-laws shall be made (i) by the Board of

Directors of the Company by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders. To the extent, however, that a director or officer, employee or agent of the Company has been successful on the merits or otherwise in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees and expenses) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

Section 9 of Article VI of the By-laws provides that the Company may purchase and maintain insurance on behalf of its directors, officers, employees and agents against any liabilities asserted against such persons arising out of such capacities.

The Company has entered into indemnification agreements with each of its current directors and certain of its officers and other key personnel, pursuant to which the Company has agreed to indemnify each indemnitee to the fullest extent authorized by law, against any and all damages, judgments, settlements and fines ("losses") in connection with any action, suit, arbitration or proceedings, or any inquiry or investigation, whether brought by or in the right of the Company or otherwise, whether civil, criminal, administrative, investigative or other, or any appeal therefrom, by reason of an indemnitee's serving as a director of the Company. An indemnitee is not entitled to indemnification for any losses that are (i) based or attributable to the indemnitee gaining in fact any personal profit or advantage to which the indemnitee is not entitled, (ii) for the return by the indemnitee of any remuneration paid to the indemnitee without the previous approval of the stockholders of the Company which is illegal, (iii) for violations of Section 16 of the Securities Exchange Act of 1934 or similar provisions of state law, (iv) based upon knowingly fraudulent, dishonest or willful misconduct and (v) not permitted to be covered by applicable law. The agreements provide that the indemnification under the agreement is not exclusive of any other rights the indemnitee may have under the Restated Certificate, the By-Laws, the DGCL or any agreement or vote of shareholders.

Item 16. Exhibits and Financial Statement Schedules

4.1 1996 Stock Incentive Plan

4.2 Form of Agreement for Conversion and Exchange of Note, by and among Benson Eyecare Corporation; BEC Group, Inc.; and certain note holders.

4.3 BEC Group, Inc. 1996 Employee Stock Purchase Plan.

4.4 Form of Registration Rights Agreement, dated as of May 3, 1996, by and among BEC Group, Inc. and Note holders

4.5 Form of Indenture, dated as of May 3, 1996, including Form of Notes

5 Opinion of Kane Kessler, P.C.*

12 Statement of Computation of Ratios

23.1 Consent of Price Waterhouse LLP

23.2 Consent of KPMG Peat Marwick LLP

23.3 Consent of Kane Kessler, P.C. (contained in Exhibit 5)*

25 Statement of Eligibility of Trustee*

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* To be filed by amendment

Item 17. Undertakings.

A. The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs A(1)(i) and A(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or 15(d) of the Exchange Act that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment 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.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(B) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement 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.

(C) The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Exchange Act; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

(D) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, 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 such director, officer or controlling person in connection with the securities being registered, 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.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rye, State of New York, on the 26th day of December, 1996

BEC GROUP, INC.

BY: /S/ MARTIN E. FRANKLIN

Martin E. Franklin,
Chairman and Chief Executive Officer

We, the undersigned officers and directors of BEC Group, Inc., and each of us, do hereby constitute and appoint Martin E. Franklin and Ian G.H. Ashken, or any of them, our true and lawful attorneys and agents, each with full power of substitution, to do any and all acts and things in our name and behalf in our capacities as directors or officers and to execute any and all instruments for us and in our names in the capacities listed below, which attorneys and agents, or any of them, may deem necessary or advisable to enable said corporation to comply with the Securities Act, as amended, and any rules, regulations, and requirements of the Securities and Exchange Commission, in connection with the Registration Statement, including specifically, but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments (including post-effective amendments) hereto; and we do hereby ratify and confirm all that said attorneys and agents, or their substitute or substitutes, or any of them, shall do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>
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Signature	Title	Date
<S>	<C>	<C>
/s/Martin E. Franklin Martin E. Franklin	Chairman of the Board of Directors and Chief Executive Officer	December 26, 1996
/s/ Ian G.H. Asken Ian G.H. Ashken	Executive Vice President of Finance and Administration, Chief Financial Officer, Assistant Secretary and Director	December 26, 1996
/s/ William T. Sullivan William T. Sullivan	President, Chief Operating Officer and Director	December 26, 1996
/s/ Nora A. Bailey Nora A. Bailey	Director	December 26, 1996
/s/ Richard W. Hanselman Richard W. Hanselman	Director	December 26, 1996
/s/ David L. Moore David L. Moore	Director	December 26, 1996
/s/ Charles F. Sydnor Charles F. Sydnor	Director	December 26, 1996

</TABLE>

EXHIBIT INDEX

<TABLE>
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NUMBER	EXHIBIT	SEQUENTIAL PAGE
<S>	<C>	<C>
4.1	1996 BEC Group, Inc. Stock Incentive Plan	Incorporated by reference to Exhibit 4.1 to the Company's Form S-1 (Commission No. 333-3186)
4.2	Form of Agreement for Conversion and Exchange of Note, by and among Benson Eyecare Corporation; BEC Group, Inc.; and Note holders	Incorporated by reference by Annex F to Benson Eyecare Corporation's Proxy Statement, dated April 5, 1996 (Commission File No. 1-9435)
4.3	BEC Group, Inc. 1996 Employee Stock Purchase Plan	Incorporated by referenced to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1996
4.4	Form of Registration Rights Agreement, dated as of May 3, 1996, by and among BEC Group, Inc. and Note holders	
4.5	Form of Indenture, dated as of May 3, 1996, including Form of Notes.	

5	Opinion of Kane Kessler, P.C. as to the legality of the shares of Common Stock	To be filed by amendment.
12	Statement of Computation of Ratios	
23.1	Consent of Price Waterhouse LLP	
23.2	Consent of KPMG Peat Marwick LLP	
23.3	Consent of Kane Kessler, P.C. (contained in Exhibit 5.1)	Incorporated by reference to Exhibit 5 to this Registration Statement on Form S-3.
25	Statement of Eligibility of Trustee	To be filed by amendment.

</TABLE>

EXHIBIT 4.4

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (the "Agreement") dated as of 1996 by and among BEC Group, Inc., a Delaware corporation (the "Company"), and each of the several Holders (as hereinafter defined) executing a signature page hereto.

This Agreement is made pursuant to those certain Agreements for Conversion and Exchange of Notes dated as of the date of this Agreement by and among the Company and the holders named therein (the "Exchange Agreements"). In order to induce the holders to enter into the respective Exchange Agreements, the Company has agreed to provide the registration rights set forth in this Agreement. The execution of this Agreement is a condition to the closing of the transactions contemplated by the Exchange Agreements.

In consideration of the foregoing, the parties hereby agree as follows:

SECTION 1. DEFINITIONS.

As used in this Agreement, the following terms shall have the following meanings:

"Advice" shall have the meaning set forth in Section 4.

"Affiliate"means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such specified Person.

"Business Day" means any day other than a day on which banks are authorized or required to be closed in the State of New York.

"Commission"means the Securities and Exchange Commission.

"Common Stock" means the common stock, par value $.0l per share, of the Company.

"Company" shall have the meaning set forth in the preamble and shall include the Company's successors by merger, acquisition, reorganization or otherwise.

"Controlling Persons" shall have the meaning set forth in Section 6(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute, and the rules and regulations of the Commission promulgated thereunder.

"Holder" means (i) each Person (other than the Company) who is a signatory to this Agreement and (ii) each Person (other than the Company and its Affiliates) to whom a Holder transfers Securities if such Person acquires such Securities as Registrable Securities.

"Holders' Counsel" means Goodwin, Procter & Hoar, special counsel to the Holders, or any successor counsel selected by Holders of a majority in interest of the Registrable Securities.

"Indenture" means the Indenture, dated as of the date of this Agreement, between the Company and the Trustee, pursuant to which the Notes are being issued, as amended, modified or supplemented from time to time, together with any exhibits, schedules or other attachments thereto.

"Inspectors" shall have the meaning set forth in Section 4(m).

"NASD" shall have the meaning set forth in Section 4(q).

"NASDAQ" shall have the meaning set forth in Section 4(o).

"Notes" means the Company's 8% Subordinated Convertible Notes due 2002 issued pursuant to the Exchange Agreements and in accordance with the Indenture in an aggregate principal amount of up to $23,000,000.

"Objection Notice" shall have the meaning set forth in Section 4(a).

"Objecting Party" shall have the meaning set forth in Section 4(a).

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization or government or other agency or political subdivision thereof.

"Prospectus"means the prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective Registration Statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement, and all other amendments and supplements to the prospectus, including post-effective amendments, and all

material incorporated by reference or deemed to be incorporated by reference in such prospectus.

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"Records"shall have the meaning set forth in Section 4(m)

"Registrable Securities" means the Securities; provided, however, that any Securities shall cease to he Registrable Securities when (i) a Registration Statement covering such Registrable Securities has been declared effective and such Registrable Securities have been disposed of pursuant to such effective Registration Statement or (ii) such Registrable Securities are transferred or transferable to any Person other than a Holder pursuant to Rule 144 (or any similar Provision then in force, but not Rule 144A) under the Securities Act, including a sale pursuant to the provisions OF Rule 144(k).

"Registration Expenses" shall have the meaning set forth in Section 5.

"Registration Statement" means any registration statement of the Company that covers any of the Registrable Securities pursuant to the provisions of this Agreement (including any Shelf Registration Statement), and all amendments and supplements to any such registration statement, including post amendments, in each case including the Prospectus, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

"Securities" means the Notes, any Common Stock which may be issued as payment of interest with respect to the Notes and the Common Stock issued or issuable upon conversion of any Note.

"Securities Act" means the Securities Act of 1933, as amended from time to time, or any successor statute, and the rules and regulations of the Commission promulgated thereunder.

"Shelf-Registration Statement" shall have the meaning set forth in Section 2 (a).

"Suspension Notice," has the meaning set forth in Section 4.

"Suspension Period" has the meaning set forth in Section 4.

"Target Effective Period" shall have the meaning set forth in Section 2 (a).

"Target Filing Date" means the date 30 days after the Closing (as defined in the Exchange Agreements)

SECTION 2. SHELF REGISTRATION.

(a) Filing; Effectiveness. As soon as practicable but not later than the Target Filing Date, the Company shall prepare and file with the Commission a "shelf" registration statement (the

"Shelf Registration Statement") on the appropriate form for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act (or such successor rule or similar provision then in effect) covering all of the Registrable Securities. The Company shall use its commercially reasonable best efforts to have the Shelf Registration Statement declared effective and to keep such Shelf Registration Statement continuously effective for a period (the "Target Effective Period") of at least 36 months following the date on which such Shelf Registration Statement is declared effective. The Holders of Registrable Securities shall be permitted to withdraw all or any part of the Registrable Securities from a Shelf Registration Statement at any time prior to effective date of such Shelf Registration Statement.

(b) Supplements; Amendments. The Company agrees, if necessary, to supplement or amend the Shelf Registration Statement, as required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement or by the Securities Act or as requested (which request shall result in the filing of a supplement or amendment) by any Holder of Registrable Securities to which such Shelf Registration Statement relates, and the Company agrees to furnish to the Holders, Holders' Counsel and any managing underwriter copies of any such supplement or amendment prior to its being used and/or filed with the Commission.

(c) Effective Registration. A registration will not be deemed to have been effected as a Shelf Registration Statement unless the Shelf Registration Statement with respect thereto has been declared effective by the Commission and the Company has complied in all material respects with its obligations under this Agreement with respect thereto; provided, however, that if after it has been declared effective, the offering of Registrable Securities pursuant to a Shelf Registration Statement is interfered with by any stop order, injunction or other order or requirement of the Commission or any other governmental agency or court, such Shelf Registration Statement will be deemed not to have become effective during the period of such interference until the offering of Registrable Securities pursuant to such Shelf Registration Statement may legally resume. If a registration requested pursuant to this Section 2 is deemed not to have been effected, then the Company shall continue

to be obligated to effect a registration pursuant to this Section 2.

(d) Selection of Underwriter. If the Holders so elect, the offering of Registrable Securities pursuant to a Shelf Registration Statement shall be in the form of an under written offering. If they so elect, the Holders participating in such Shelf Registration Statement shall select one or more nationally recognized firms of investment bankers to act as the book-running managing underwriter or underwriters in connection with such

offering and shall select any additional investment bankers and managers to be used in connection with the offering.

SECTION 3. [INTENTIONALLY OMITTED].

SECTION 4. REGISTRATION PROCEDURES.

In connection with the obligations of the Company to effect or cause the registration of any Registrable Securities pursuant to the terms and conditions OF this Agreement, the Company shall use its best efforts to effect the registration of such Registrable Securities in accordance with the intended method of distribution thereof as quickly as practicable, and in connection therewith:

(a) The Company shall prepare and file with the Commission a Registration Statement on the appropriate form under the Securities Act, which form shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the Commission to be filed therewith, and use its best efforts to cause such Registration Statement to become effective and remain effective in accordance with the provisions of this Agreement; provided that, at least ten Business Days prior to filing a Registration Statement or Prospectus or any amendments or supplements thereto, including documents incorporated by reference after the initial filing of the Registration Statement, the Company shall furnish to the Holders of the Registrable Securities covered by such Registration Statement, Holders' Counsel and the underwriters, if any, draft copies of all such documents proposed to be filed, which documents will be subject to the review of Holders' Counsel and the underwriters, if any, and the Company will not, unless required by law, file any Registration Statement or amendment thereto or any Prospectus or any supplement thereto to which Holders holding a majority in interest of the Registrable Securities covered by such Registration Statement or the underwriters with respect to such Securities, if any, shall object; provided, however, that any such objection to the filing of any Registration Statement or amendment thereto or any Prospectus or supplement thereto shall be made by

written notice (the "Objection Notice") delivered to the Company no later than ten Business Days after the party or parties asserting such objection (the "Objecting Party") receives draft copies of the documents that the Company proposes to file. The Objection Notice shall set forth the objections and the specific areas in the draft documents where such objections arise. The Company shall have five Business Days after receipt of the Objection Notice to correct such deficiencies to the satisfaction of the Objecting Party, and will notify each Holder of any stop order issued or threatened by the Commission in connection therewith and shall use its best efforts to prevent the entry of such stop order or to remove it if entered at the earliest possible moment.

(b) The Company shall promptly prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep such Registration Statement effective for as long as such registration is required to remain effective pursuant to the terms hereof; shall cause the Prospectus to be supplemented by any required Prospectus supplement, and, as so supplemented, to be filed pursuant to Rule 424 under the Securities Act; and shall comply with the provisions of the Securities Act applicable to it with respect to the disposition of all Registrable Securities covered by such Registration Statement during the applicable period in accordance with the intended methods of disposition by the Holders set forth in such Registration Statement or supplement to the Prospectus;

(c) The Company shall promptly furnish to any Holder and the underwriters, if any, without charge, such number of conformed copies of such Registration Statement and any post-effective amendment thereto and such number of copies of the Prospectus (including each preliminary Prospectus) and any amendments or supplements thereto, any documents incorporated by reference therein and such other documents as such Holder or underwriter may request in order to facilitate the public sale or other disposition of the Registrable Securities being sold by such Holder.

(d) The Company shall, on or prior to the date on which a Registration Statement is declared effective, (i) use its best efforts to register or qualify the Registrable Securities covered by such Registration Statement under the securities or "blue sky" laws of each of the fifty states of the United States; (ii) do any and all other reasonable acts and things which may be necessary or advisable to enable such Holder to consummate the disposition of such Registrable Securities owned by such Holder; (iii) use its best efforts to keep each such registration or qualification (or exemption therefrom) effective during the period in which the Registration Statement is required to be kept effective; and (iv) use its best efforts to do any and all other acts or things necessary or advisable to enable the disposition in such

jurisdictions of such Registrable Securities; provided, however, that the Company shall not be required (x) to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 4(d) or (y) to file any general consent to service of process.

(e) The Company shall use its best efforts to cause the Registrable Securities covered by a Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company to enable the Holders to consummate the disposition of such Registrable Securities.

(f) The Company shall promptly notify each Holder, Holders' Counsel and any underwriter and (if requested by any such Person) confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any state securities authority for amendments and supplements to a Registration Statement and Prospectus or for additional information after the Registration Statement has become effective, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of a Registration Statement or the initiation or threatening of any proceedings for that purpose, (iv) of the issuance by any state securities commission or other regulatory authority of any order suspending the qualification or exemption from qualification of any of the Registrable Securities under state securities or "blue sky" laws or the initiation of any proceedings for that purpose, (v) if, between the effective date of a Registration Statement and the closing of any sale of Registrable Securities covered thereby, the representations and warranties of the Company contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to the offering cease to be true and correct in all material respects, and (vi) of the happening of any event which makes any statement made in a Registration Statement or related Prospectus untrue or which requires the making of any changes in such Registration Statement or Prospectus so that they will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made not misleading; and, as promptly as practicable thereafter, prepare and file with the Commission and furnish a supplement or amendment to such Prospectus so that, as thereafter deliverable to the purchasers of such Registrable Securities, such Prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(g) The Company shall make generally available to the Holders an earnings statement satisfying the provisions of Section 11(a) of the Securities Act no later than 30 days after the end of the 12-month period beginning with the first day of the Company's first fiscal quarter commencing after the effective date of a Registration Statement, which earnings statement shall cover said 12-month period, and which requirement will be deemed to be satisfied if the Company timely files complete and accurate information on forms 10-Q, 10-K and 8-K under the Exchange Act and otherwise complies with Rule 158 under the Securities Act.

(h) The Company shall promptly use its best efforts to prevent the issuance of any order suspending the effectiveness of a Registration Statement, and if one is issued use its best

efforts to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement at the earliest possible moment.

(i) The Company shall, if requested by the managing underwriter or underwriters, if any, Holders' Counsel, or any Holder promptly incorporate in a Prospectus supplement or post-effective amendment such information as such managing underwriter or underwriters requests, or Holders' Counsel requests, to be included therein, including, without limitation, with respect to the Registrable Securities being sold by such Holder to such underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and with respect to any other terms of an underwritten offering of the Registrable Securities to be sold in such offering, and promptly make all required filings of such Prospectus supplement or post-effective amendment.

(j) The Company shall, as promptly as practicable after filing with the Commission of any document which is incorporated by reference into a Registration Statement (in the form in which it was incorporated), deliver a copy of each such document to each of the Holders and to Holders' Counsel.

(k) The Company shall cooperate with the Holders and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (which shall not bear any restrictive legends unless required under applicable law) representing securities sold under a Registration Statement, and enable such securities to be in such denominations and registered in such names as the managing underwriter or underwriters, if any, or such Holders may request and keep available and make available to the Company's transfer agent prior to the effectiveness of such Registration Statement a supply of such certificates.

(l) The Company shall enter into such customary agreements (including, if applicable, an underwriting agreement in customary form) and take such other actions as the Holders or the underwriters retained by the Holders participating in an underwritten public offering, if any, may request in order to expedite or facilitate the disposition of Registrable Securities (the Holders may, at their option, require that any or all of the representations, warranties and covenants of the Company to or for the benefit of any underwriters also be made to and for the benefit of the Holders).

(m) The Company shall promptly make available to each Holder, any underwriter participating in any disposition pursuant to a Registration Statement, and any attorney, accountant or other agent or representative retained by any such Holder or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company

(collectively, the "Records"), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information requested by any such Inspector in connection with such Registration Statement.

(n) The Company shall furnish to each Holder and to each underwriter, if any, a signed counterpart, addressed to such Holder or underwriter, of (i) an opinion or opinions of counsel to the Company, and (ii) a comfort letter or comfort letters from the Company's independent public accountants, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as the Holders of Registrable Securities included in such offering or the managing underwriter therefor reasonably requests.

(o) The Company shall use its best efforts to cause the Registrable Securities included in a Registration Statement to be (i) listed on each securities exchange, if any, on which similar securities issued by the Company are then listed, or (ii) authorized to be quoted and/or listed, as applicable, on the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") or the National Market System of NASDAQ if the Registrable Securities so qualify.

(p) The Company shall provide a CUSIP number for all Registrable Securities covered by a Registration Statement not later than the effective date of such Registration Statement.

(q) The Company shall cooperate with each Holder and each

underwriter participating in the disposition of Registrable Securities and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. ("NASD").

(r) The Company shall, during the period when the Prospectus is required to be delivered under the Securities Act, promptly file all documents required to be filed with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act.

(s) The Company shall appoint a transfer agent and registrar for all Registrable Securities covered by a Registration Statement not later than the effective date of such Registration Statement.

(t) In connection with an underwritten offering, the Company will participate, to the extent reasonably requested by the managing underwriter for the offering or the Holders, in customary efforts to sell the securities under the offering, including without limitation, participating in "road shows."

In the case of a Shelf Registration Statement, each Holder, upon receipt of any notice (a "Suspension Notice") from the Company of the happening of any event of the kind described in Section 4(f)(vi), shall forthwith discontinue disposition of the Registrable Securities pursuant to the Shelf Registration Statement covering such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 4(f) or until it is advised in writing (the "Advice") by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings which are incorporated by reference in the Prospectus, and, if so directed by the Company, such Holder will, or will request the managing underwriter or underwriters, if any, to, deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice; provided, however, that the Company shall not give a Suspension Notice until after the Shelf Registration Statement has been declared effective and shall not give more than two (2) Suspension Notices during any period of twelve consecutive months and in no event shall the period from the date on which any Holder receives a Suspension Notice to the date on which any Holder receives either the Advice or copies of the supplemented or amended Prospectus contemplated by Section 4(f) (the "Suspension Period") exceed 45 days. In the event that the Company shall give any Suspension Notice, (i) the Company shall use its best efforts and take such actions as are reasonably necessary to render the Advice and end the Suspension Period as promptly as practicable and (ii) the time periods for which a Shelf Registration Statement is required to be kept effective pursuant to

Section 2 hereof shall be extended by the number of days during the Suspension Period.

If any Registration Statement refers to any Holder by name or otherwise as the holder of any securities of the Company, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance reasonably satisfactory to such Holder, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the Company's securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Company, or (ii) in the event that such reference to such Holder by name or otherwise is not required by the Securities Act or any similar Federal or state "blue sky" statute and the rules and regulations thereunder then in force, the deletion of the reference to such Holder.

SECTION 5. REGISTRATION EXPENSES. Any and all expenses incident to the Company's performance of or compliance with this Agreement, including without limitation, all Commission and securities exchange, NASDAQ or NASD registration and filing fees, all fees and expenses incurred in connection with compliance

with state securities or "blue sky" laws (including reasonable fees and disbursements of counsel for any underwriters or Holders in connection with "blue sky" qualifications of the Registrable Securities), printing expenses, messenger and delivery expenses, internal expenses (including, without limitation, all salaries and expenses of the Company's officers and employees performing legal or accounting duties) , all expenses for word processing, printing and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements and other documents relating to the performance of and compliance with this Agreement, the fees and expenses incurred in connection with the listing of the Registrable Securities, the fees and disbursements of counsel for the Company and of the independent certified public accountants of the Company (including the expenses of any comfort letters or costs associated with the delivery by independent certified public accountants of a comfort letter or comfort letter requested pursuant to Section 4 (n) , Securities Act liability insurance (if the Company elects to obtain such insurance), the reasonable fees and expenses of any special experts or other Persons retained BY the Company in connection with any registration, the reasonable fees and disbursements of Holders, Counsel and any reasonable out-of-pocket expenses of the Folders and their agents, including any reasonable travel costs, but excluding underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of Registrable Securities (all such

expenses being herein called "Registration Expenses"), will be borne by the Company whether or not the Shelf Registration Statement to which such expenses relate becomes effective.

SECTION 6. INDEMNIFICATION AND CONTRIBUTION.

(a) Indemnification by the Company. The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each Holder, its partners, officers, directors, trustees, stockholders, employees, agents and investment advisers, and each Person who controls such Holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, or is under common control with, or is controlled by, such Holder, together with the partners, officers, directors, trustees, stockholders, employees, agents and investment advisors of such controlling Person (collectively, the "Controlling Persons") , from and against all losses, claims, damages, liabilities and expenses (including without limitation any legal or other fees and expenses incurred by any Holder or any such Controlling Person in connection with defending or investigating any action or claim in respect thereof) (collectively, the "Damages") to which such Holder, its partners, officers, directors, trustees, stockholders, employees, agents and investment advisers, and any such Controlling Person may become subject under the Securities Act or otherwise, insofar as such Damages (or proceedings in respect thereof) arise out of or are based upon any untrue or alleged untrue statement of material fact contained in any Registration

Statement (or any amendment thereto) pursuant to which Registrable Securities were registered under the Securities Act, including all documents incorporated therein by reference, or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein in light of the circumstances under which they were made not misleading, or caused by any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein in light of the circumstances under which they were made not misleading, except insofar as such Damages arise out of or are based upon any such untrue statement or omission based upon information relating to such Holder furnished in writing to the Company by such Holder expressly for use therein; provided, however, that the Company shall not be liable to any Holder under this Section 6(a) to the extent that any such Damages were caused by the fact that such Holder sold Securities to a Person as to whom it shall be established that there was not sent or given, or deemed sent or given pursuant to Rule 153 under the Securities Act, at or prior to the written confirmation OF such sale, a copy of the Prospectus as then amended or supplemented if, and

only if, (i) the Company has previously furnished copies of such amended or supplemented Prospectus to such Holder and (ii) such Damages were caused by any untrue statement or omission or alleged untrue statement or omission contained in the Prospectus so delivered which was corrected in such amended or supplemented Prospectus. In connection with an underwritten offering, the Company will indemnify the underwriters thereof, their officers and directors and each Person who controls such underwriters (within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders of Registrable Securities except with respect to information provided by the underwriter specifically for inclusion therein.

(b) Indemnification by the Holders. Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, officers and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Holder, but only with reference to information relating to such Holder furnished to the Company in writing by such Holder expressly for use in any Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto); provided, however, that such Holder shall not be obligated to provide such indemnity to the extent that such Damages result from the failure of the Company to promptly amend or take action to correct or supplement any such Registration Statement or Prospectus on the basis of corrected or supplemental information provided in writing by such Holder to the Company expressly for such purpose. In no

event shall the liability of any Holder of Registrable Securities hereunder he greater in amount than the amount of the proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Indemnification Procedures. In case any proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to either paragraph (a) or (b) above, such Person (the indemnified party") shall promptly notify the Person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceedings and shall pay the fees and disbursements of such counsel relating to such proceeding. The failure of an indemnified party to notify an indemnifying party with respect to a particular proceeding shall not relieve the indemnifying party from any obligation or liability (i) which it

may have pursuant to this Agreement if the indemnifying party is not substantially prejudiced by the failure to notify or (ii) which it may have otherwise than pursuant to this Agreement. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, or (ii) the indemnifying party fails promptly to assume the defense of such proceeding or fails to employ counsel reasonably satisfactory to such indemnified party or parties, or (iii) (A) the named parties to any such proceeding (including any impleaded parties) include both such indemnified party or parties and any indemnifying party or an Affiliate of such indemnified party or parties or of any indemnifying party, (B) there may be one or more defenses available to such indemnified party or parties or such Affiliate of such indemnified party or parties that are different from or additional to those available to any indemnifying party or such Affiliate of any indemnifying party and (C) such indemnified party or parties shall have been advised by such counsel that there may exist a conflict of interest between or among such indemnified party or parties or such Affiliate of such indemnified party or parties and any indemnifying party or such Affiliate of any indemnifying party, in which case, if such indemnified party or parties notifies the indemnifying party or parties in writing that it elects to employ separate counsel of its choice at the expense of the indemnifying parties, the indemnifying parties shall not have the right to assume the defense thereof and such counsel shall be at the expense of the indemnifying parties, it being understood, however, that unless there exists a conflict among indemnified parties, the indemnifying parties shall not, in connection with any one such proceeding or separate but substantially similar or related proceedings in the same jurisdiction, arising out of the same

general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for such indemnified party or parties. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but, if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party or parties from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which such indemnified party is a party, and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) Contribution. To the extent that the indemnification provided for in paragraph (a) or (b) of this Section 6 is unavailable to an indemnified party or insufficient in respect of any Damages, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such Damages (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Holders on the other hand from the offering of such Registrable Securities, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Holders on the other hand in connection with the statements or omissions that resulted in such Damages, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of the Holders on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Holders and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

Notwithstanding the provisions of this Section 6(d), no Holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of such Holder were offered to the public (less any underwriting discounts and commissions) exceeds the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue statement or omission. Each Holder's obligation to contribute pursuant to this Section 6(d) is several in the proportion that the proceeds of the offering received by such Holder bears to the total proceeds of the offering received by all the Holders and not joint.

If indemnification is available under paragraph (a) or (b) of this Section 6, the indemnifying parties shall indemnify each indemnified party to the full extent provided in such paragraphs without regard to the relative fault of said indemnifying party or indemnified party or any other equitable consideration provided for in this Section 6(d).

The Company and each Holder agrees that it would not be just or equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the Damages referred to in this Section 6 shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred (and not otherwise reimbursed) by

such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

SECTION 7. RULE 144. The Company covenants that it will file any reports required to be filed by it under the Securities Act and the Exchange Act (or, if the Company is not required to file such reports, it will, upon the request of any Holder, make publicly available other information so long as necessary to permit sales under Rule 144 under the Securities Act), and it will take such further action as any Holder may request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission. Upon the request of any Holder, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements.

SECTION 8. RULE 144A. The Company covenants that it will file all reports required to be filed by it under the Securities Act and the Exchange Act, and the rules and regulations adopted by the Commission thereunder (or if the Company is not required to file such reports, it will, upon the request of any Holder, make available other information so long as necessary to permit sales of the Registrable Securities pursuant to Rule 144A under the Securities Act), all to the extent as may be required from time to time to enable such Holder to sell then Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144A, as such

rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission.

SECTION 9. RESTRICTIONS ON SALE BY THE COMPANY AND OTHERS. The Company agrees and it shall use its best efforts to cause its Affiliates to agree (i) not to effect any public sale or distribution of any securities similar to those being registered in accordance with Section 2 hereof, or any securities convertible into or exchangeable into or exchangeable or exercisable for such securities, during the 14 days prior to, and during the 180-day period beginning on, the effective date of any Registration Statement (except as part of such Registration Statement) if, and to the extent, requested by the

managing underwriter or underwriters in the case of an underwritten public offering and (ii) to use their best efforts to ensure that any agreement entered into after the date of this Agreement pursuant to which the Company issues or agrees to issue any privately placed securities (other than to officers or employees) shall contain a provision under which holders of such securities agree not to effect any sale or distribution of any such securities during the periods described in (i) above, in each case including a sale pursuant to Rule 144 or Rule 144A under the Securities Act (except as part of any such registration, if permitted); provided, however, that the provisions of this Section 9 shall not prevent the conversion or exchange of any securities pursuant to their terms into or for other securities.

SECTION 10. MISCELLANEOUS.

(a) No Inconsistent Agreements. The Company has not entered into nor will the Company on or after the date of this Agreement enter into any agreement which is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's other issued and outstanding securities under any such agreements.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority in interest of the outstanding Registrable Securities affected by such amendment, modification, supplement, waiver or consent; provided, however, that, no amendment, modification, supplement, waiver or consent to any departure from the provisions of Section 4 hereof (other than any immaterial amendment, modification, supplement, waiver or consent) shall be effective as against any Holder of Registrable Securities unless consented to in writing by such Holder.

(c) Notices. All notices and other communications provided for or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or sent by telecopier, registered or certified mail (return receipt requested), postage prepaid or courier to the parties at their respective addresses set forth on the signature pages hereof (or at such other address for any party as shall be specified by like notice, provided that notices of a change of address shall be effective only upon receipt thereof).

All such notices and communications 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; by confirmed receipt of transmission, if telecopied; and on the next Business Day if timely delivered to a courier guaranteeing overnight delivery.

(d) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Holders. If any transferee of any Holder shall acquire Registrable Securities in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities such person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such person shall be entitled to receive the benefits hereof.

(e) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of law.

(h) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the Holders shall be enforceable to the fullest extent permitted by law.

(i) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and is intended to be the complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(j) Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement or where any provision hereof is validly asserted as a defense, the successful party shall, to the extent permitted by applicable law, be entitled to recover reasonable attorneys' fees in addition to any other available remedy.

(k) Further Assurances. Each party shall cooperate and take such action as may be reasonably requested by another party in order to carry out the provisions and purposes of this Agreement and the transactions contemplated hereby.

(l) Remedies. In the event of a breach or a threatened breach by any party to this Agreement of its obligations under this Agreement, any party injured or to be injured by such breach will be entitled to specific performance of its rights under this Agreement or to injunctive relief, in addition to being entitled to exercise all rights provided in this Agreement and granted by law. The parties agree that the provisions of this Agreement shall be specifically enforceable, it being agreed by the parties that remedies at law for violations hereof (including monetary damages) are inadequate and that the right to object in any action for specific performance or injunctive relief hereunder on the basis that a remedy at law would be adequate is waived.

[Remainder of Page Intentionally Left Blank]

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

BEC Group, Inc.

By:

Name:
Title:

With a copy to:

Willkie Farr & Gallagher
One Citicorp Center
153 East 53rd Street
New York, New York 10022-4677
Attn: William J. Grant, Jr.

REGISTRATION RIGHTS AGREEMENT
HOLDER SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have caused this Registration Rights Agreement to be duly executed by their respective officers hereunto duly authorized, as of the day and year first above written.

HOLDER:

By: ----------
Name:
Title:

Address:

With a copy to:

EXHIBIT 4.5

==========

BEC GROUP, INC.

8% Convertible Subordinated Notes Due 2002

INDENTURE

Dated as of May 3, 1996

IBJ SCHRODER BANK & TRUST COMPANY,

Trustee

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INDENTURE, dated as of May 3, 1996, between BEC GROUP, INC., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office at Suite B-302, 555 Theodore Fremd Avenue, Rye, New York 10580 and IBJ SCHRODER BANK & TRUST COMPANY, as Trustee (the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the creation and issue of its 8% Convertible Subordinated Notes due 2002 (hereinafter sometimes called the "Notes") in an aggregate principal amount not to exceed $23,000,000 and, to provide the terms and conditions upon which the Notes are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture; and

All things necessary to make the Notes, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE ONE

Definitions and Other Provisions of General Application

SECTION 101. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act (as hereinafter defined), either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term "generally

accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act", with respect to any Holder, has the meaning specified in section 104.

"Acquiring Person" means any person (as defined in Section 13(d)(3) or 14(d)(2) of the Exchange Act) who or which, together with all affiliates and associates (each as defined in Rule 12b-2 under the Exchange Act), becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act and as further defined below) of shares of Common Stock or other voting securities of the Company having more than 35% of the total voting

power of the Voting Stock of the Company; provided, however, that an Acquiring Person shall not include (i) the Company, (ii) any Subsidiary of the Company, (iii) any Permitted Holder, (iv) an underwriter engaged in a firm commitment underwriting in connection with a public offering of the Voting Stock of the Company or (v) any current or future employee or director benefit plan of the Company or any Subsidiary of the Company or any entity holding Common Stock of the Company for or pursuant to the terms of any such plan; provided further, however, that no person shall be an Acquiring Person as long as the Permitted Holders beneficially own a greater percentage of the total voting power of the Voting Stock of the Company than such other person beneficially owns. Notwithstanding the foregoing, no person shall become an Acquiring Person as the result of (A) a reverse stock split or (B) an acquisition of Common Stock by the Company, in either case which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such person to more than 35% of the Common Stock of the Company then outstanding; provided, however, that if a person shall become the beneficial owner of 35% or more of the Common Stock of the Company then outstanding by reason of a reverse stock split or share purchases by the Company and shall, after such reverse stock split or share purchases by the Company, become the beneficial owner of any additional shares of Common Stock of the Company (except through the receipt or the exercise - of stock options after such reverse stock split or purchases by the Company, so long as (i) the stock options were granted pursuant to an employee or director benefit plan approved by stockholders and (ii) the aggregate number of shares so acquired or subject to such options by any person does not exceed 10% of the number of shares of Common Stock outstanding immediately after such stock split or purchases by the Company), then such person shall be deemed to be an Acquiring Person. For purposes hereof (A) a person shall be deemed to have

beneficial ownership of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time, (B) the Permitted Holders shall be deemed to beneficially own any Voting Stock of a corporation (the "specified corporation") held by any other corporation (the "parent corporation") so long as the Permitted Holders beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) directly or indirectly, in the aggregate a majority of the total voting power of the Voting Stock of the parent corporation and (C) such other person shall be deemed to beneficially own any Voting Stock of a specified corporation held by a parent corporation, if such other person beneficially owns (as defined in Rules 13d-3 and 13d-5 under the Exchange Act and clause (A) above), directly or indirectly, more than 35% of the voting power of the Voting Stock of such parent corporation and the Permitted Holders beneficially own (as defined in clause (B) above), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent corporation than such

other person beneficially owns (as defined in Rules 13d-3 and 13d-5 under the Exchange Act and clause (A) above) or do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of such parent corporation. For purposes hereof, a person shall not be deemed to be the beneficial owner of (A) any securities tendered pursuant to a tender or exchange offer made by or on behalf of such person or any of such person's affiliates until such tendered securities are accepted for purchase or exchange thereunder, or (B) any securities if such beneficial ownership (1) arises solely as a result of a revocable proxy delivered in response to a proxy or consent solicitation made pursuant to the applicable rules and regulations under the Exchange Act, and (2) is not also then reportable on Schedule 13D (or any successor schedule) under the Exchange Act.

"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" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" shall have the meanings correlative to the foregoing.

"applicants" has the meaning specified in Section 702.

"Authenticating Agent" means any Person authorized by the Trustee to act on behalf of the Trustee to authenticate Notes.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of the board of directors of the Company.

"Board Resolution" means a copy of a resolution certified by the Secretary or any Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in The Borough of Manhattan, the City and State of New York, are authorized or obligated by law to close.

"Capitalized Lease Obligation" means an obligation that is required to be classified and accounted for as a capitalized lease for financial

reporting purposes in accordance with generally accepted accounting principles; and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with generally accepted accounting principles; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Change of Control" means any or all of the following events:

(a) the assets of the Company shall be sold as, or substantially as, an entirety to any Person or related group of Persons;

(b) there shall be consummated any consolidation or merger of the Company (1) in which the Company is not the continuing or surviving corporation (other than a consolidation or merger with a wholly owned subsidiary of the Company in which all shares of Common Stock outstanding immediately prior to the effectiveness thereof are changed into or exchanged for the same consideration) or (2) pursuant to which the Common Stock would be converted into cash, securities or other property, in each case other than a consolidation or merger of the Company in which the holders of the Common Stock immediately prior to the consolidation or merger have, directly or indirectly, at least a majority of the common stock of the continuing or

surviving corporation immediately after such consolidation or merger; or

(c) any Person shall have become an Acquiring Person.

Notwithstanding anything to the contrary set forth in this definition, a Change of Control shall not be deemed to have occurred under paragraphs (a), (b) and (c) above if either (1) the Daily Market Price of the Common Stock for any five trading days during the ten trading days immediately preceding the Change of Control is at least equal to 105% of the Conversion Price in effect immediately preceding the time of such Change of Control or (2) the consideration, in the transaction giving rise to such Change of Control, to the holders of Common Stock consists of cash, Publicly Traded Securities or a combination of cash and Publicly Traded Securities, and the aggregate fair

market value of such consideration (which, in the case of Publicly Traded Securities, shall be equal to the average of the Daily Market Prices of such Publicly Traded Securities during the ten consecutive trading days commencing with the sixth trading day following consummation of such transaction) is at least 105% of the Conversion Price in effect on the date immediately preceding the closing date of such transaction.

"Change of Control Exercise Notice" has the meaning specified in Section 1502.

"Change of Control Notice" has the meaning specified in Section 1501.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such commission is not existing and performing the duties now assigned to it, then the body performing such duties at such time.

"Common Stock" means the Common Stock, $.0l par value per share, of the Company as the same exists at the date of the execution of this Indenture or as such stock may be constituted from time to time.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by the Chairman of the Board, the President or any Vice President, and by the Treasurer, any Assistant Treasurer, the Controller, any Assistant Controller, the Secretary or any Assistant Secretary, of the Company, and delivered to the Trustee.

"Conversion Agent" means any Person authorized by the Company to accept Notes for conversion pursuant to this Indenture and deliver shares of Common Stock (or other securities or property) deliverable upon such conversion.

"Conversion Notice" has the meaning specified in Section 1202.

"Conversion Price" means the initial conversion price specified in the form of Note set forth in Article Two, as adjusted in accordance with the provisions of Article Twelve.

"Corporate Trust Office" means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered.

"corporation" includes corporations, associations, companies and business trusts.

"Daily Market Price" when used with reference to the Common Stock or another security means the price of a share of Common Stock or such other security on the relevant date, determined (a) on the basis of the last reported sale price regular way of the Common Stock or such other security (i) as reported on the composite tape, or similar reporting system, for issues listed on the American Stock Exchange (or if the Common Stock or such other security is not then listed on that Exchange, for issues listed on such other national securities exchange upon which the Common Stock or such other security is listed as may be designated by the Board of Directors from time to time for the purposes hereof) or (ii) if the Common Stock or such other security is not listed or admitted to trading on any national securities exchange, as reported on the National Market System of the National Association of Securities Dealers Automated Quotation System ("Nasdaq"), or (b) if there is no such reported sale on the day in question, on the basis of the average of the closing bid and asked quotations regular way as so reported, or (c) if the Common Stock or such other security is not listed on any national securities exchange or on the Nasdaq National Market, on the basis of the average of the high bid and low asked quotations regular way on the day in question in the over-the-counter market as reported by Nasdaq, or if not so quoted, as reported by National Quotation Bureau, Incorporated, or a similar organization.

"Defaulted Interest" has the meaning specified in Section 307.

"Disqualified Stock" of a Person means Redeemable Stock of such Person as to which the maturity, mandatory redemption, conversion or exchange or redemption at the option of the holder thereof occurs, or may occur, on or prior to the first anniversary of the Stated Maturity of the Notes.

"Dollars" and "$" means the lawful money of the United States of America.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Expiration Time" has the meaning specified in Section 1204(g) .

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any currency swap protection agreement, interest rate protection agreement or other similar agreement.

"Holder" or "Noteholder" means a person in whose name a Note is registered in the Note Register.

"Incur" means issue, assume, Guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be incurred by such Subsidiary at the time it becomes a subsidiary. The terms "Incurred", "Incurrence" and "Incurring" shall each have a correlative meaning.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication),

(i) the principal of and premium, if any, in respect of indebtedness of such Person for borrowed money;

(ii) the principal of and premium, if any, in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(iii) all Capitalized Lease Obligations of such Person;

(iv) all obligations of such Person to pay the deferred and

unpaid purchase price of property or services (except Trade Payables), which purchase price is due more that six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services;

(v) all obligations of such Person in respect of letters of credit, banker's acceptances or other similar instruments or credit transactions (including reimbursement obligations with respect thereto);

(vi) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(vii) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; Provided, however, that the amount of such Indebtedness shall be the lesser of (A) the fair market value of such asset at such date of determination and (B) the amount of such Indebtedness of such other Persons;

(viii) all Indebtedness of other Persons to the extent Guaranteed by such Person; and

(ix) to the extent not otherwise included in this definition, obligations in respect of Hedging obligations.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

"Indenture" means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

"Interest Payment Date" has the meaning specified in Section 302.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"non-electing share" has the meaning specified in Section 1209.

"Notes" means any Notes authenticated and delivered under this

Indenture.

"Note Register" and "Note Registrar" have the respective meanings specified in Section 305.

"Notice of Redemption" has the meaning specified in Section 1102.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or any Vice President and by the Treasurer, any Assistant Treasurer, the Controller, any Assistant Controller, the Secretary or any Assistant Secretary of the Company and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or counsel for the Company.

"Outstanding", when used with respect to Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except

(i) any Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) any Notes or portions thereof for whose payment or redemption money in the necessary amount shall have been deposited with the Trustee or with any Paying Agent (other than the Company) in trust or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for Holders of the Notes; provided that, if such Notes or portions are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given pursuant to this Indenture or provision therefor has been made pursuant to this Indenture;

(iii) any Notes paid pursuant to Section 306, or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee an Opinion of Counsel that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the Company; and

(iv) Notes converted into Common Stock pursuant to Article Twelve hereof;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Notes have given any request, demand,

authorization, direction, notice, consent or waiver hereunder, Notes owned by the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which the Trustee knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as outstanding if the pledgee delivers an opinion of Counsel to the Trustee establishing the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of and premium, if any, and interest on any Notes on behalf of the Company.

"Payment Dates" shall have the meaning specified in Section 705.

"Permitted Holders" means, collectively, Martin E. Franklin and his estate, spouse, ancestors, and lineal descendants (and spouses thereof), the legal representatives of any of the foregoing and the trustee of any bona fide trust of which one or more of the foregoing are the sole beneficiaries or the grantors, or any Person of which any of the foregoing, individually or collectively, beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) voting securities representing at least a majority of the total voting power of all classes of Capital Stock of such Person (exclusive of any matters as to which class voting rights exist).

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Note" of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Note shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Note.

"Preferred Stock", as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes

(however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or

dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"Publicly Traded Securities" means securities that are, or immediately upon issuance will be, listed on a national securities exchange or quoted in the Nasdaq National Market.

"Purchase Date" has the meaning specified in Section 1501.

"Purchased Shares" has the meaning specified in Section 1204(g).

"Redeemable Stock" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (ii) is convertible or exchangeable for Indebtedness (other than Preferred Stock) or Disqualified Stock or (iii) is redeemable at the option of the holder thereof, in whole or in part.

"Redemption Date" has the meaning specified in Section 1102.

"Redemption Price" when used with respect to a redemption pursuant to Article Eleven means the applicable percentage of the principal amount specified in the form of Note set forth in Article Two.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or any assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to any particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Senior Indebtedness" means the principal of, premium, if any, and interest on and other amounts due on any

Indebtedness, whether outstanding on the date of execution of this Indenture or thereafter issued, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding it is provided that such obligations are not superior in right of payment to the Notes; provided, however, that

Senior Indebtedness shall not include (1) any obligation of the Company to any Affiliate, (2) any liability for Federal, state, local or other taxes owed or owing by the Company, (3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities), (4) any Indebtedness, Guarantee or obligation of the Company which is subordinate or junior in any respect to any other Indebtedness, Guarantee or obligation of the Company, including any Senior Subordinated Indebtedness and any Subordinated Obligations, (5) any obligations with respect to any Capital Stock or (6) any Indebtedness Incurred in violation of this Indenture.

"Senior Subordinated Indebtedness" means the Notes and any other Indebtedness of the Company that specifically provides that such Indebtedness is to rank pari passu with the Notes and is not subordinated by its terms to any Indebtedness or other obligation of the Company which is not Senior Indebtedness.

"Special Record Date " for the payment of Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"Subordinated Obligation" means any Indebtedness of the Company (whether outstanding on the date of execution of this Indenture or thereafter Incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement.

"Subsidiary" of any Person means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) 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 (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more subsidiaries of such Person.

"Time of Determination" means the time and date of the earlier of (i) the record date for determining stockholders

entitled to receive the rights, warrants or distributions referred to in Section 1204 (b) and (c) , or (ii) the commencement of "exdividend" trading on the exchange or market referred to in the definition of the term "Daily Market Price".

"Trade Payables" means, with respect to any Person, any accounts payable or any Indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person arising in the ordinary course of business of such Person in connection with the acquisition of goods or services.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, as in force at the date as of which this instrument was executed, except as otherwise provided in section 905.

"Trustee" means the Person named as the Trustee in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder.

"Vice President", when used with respect to the company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Voting Stock" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of directors.

SECTION 102. Compliance Certificates and Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that, in the case of any such application or request as to which the furnishing of the foregoing documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificate required by Section 704(4) which need only be signed by one of the officers referred to therein) shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

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(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 103. Form of Documents Delivered to Trustee. In any case in which several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or Opinion of counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or representations with respect to such matters are erroneous.

When any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such

instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such affidavit or certificate shall also constitute sufficient proof of his authority.

(c) The ownership of Notes shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

SECTION 105. Notices, Etc., to Trustee and Company. Except as otherwise specifically provided in this Indenture, any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or the document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder, the Company, any Note Registrar, any Paying Agent or any Conversion Agent, shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust office, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, firstclass postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument, attention, Secretary, or at any other address previously furnished in writing to

the Trustee by the Company.

SECTION 106. Notice to Holders; Waiver. Where this Indenture or any Note provides for notice to Holders of any

event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture or any Note provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 107. Conflict with Trust Indenture Act. if and to the extent any provision hereof limits, qualifies or conflicts with the duties imposed by, or with another provision (an "incorporated provision") included in this Indenture by operation of, any of Sections 310 to 318, inclusive of the Trust Indenture Act, such imposed duties or incorporated provision shall control.

SECTION 108. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents and cross-reference sheet are for convenience only and shall not affect the construction hereof.

SECTION 109. Successors and Assigns. All covenants and agreements in this Indenture and the Notes by the Company shall bind its successors and assigns, whether so expressed or not. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 110. Separability Clause. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the

validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. Benefits of Indenture. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the Holders and holders of Senior Indebtedness, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. GOVERNING LAW. THIS INDENTURE AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

SECTION 113. Legal Holidays. In any case in which the date of maturity of, or payment of premium, if any, or interest on or principal of the Notes or the date fixed for redemption or for purchase upon a Change of Control of any Note or the last day on which a Holder has the right to convert his Note at a particular conversion Price shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Notes) payment of such interest, premium, if any, or principal or conversion of the Note need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption or for purchase or the last day for conversion, and no interest shall accrue for the period from and after such date of maturity or date fixed for redemption or for purchase or last day for conversion to such next succeeding Business Day.

SECTION 114. Execution in Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. One signed copy is enough to prove this Indenture.

SECTION 115. No Security Interest Created. Nothing in this Indenture or in the Notes, express or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction in which property of the Company or its subsidiaries is located.

ARTICLE TWO

Note Forms

SECTION 201. Forms Generally. The Notes shall be in substantially the form set forth in this Article with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of the Notes. The Company shall furnish any such legends or endorsements to the Trustee in writing.

The Trustee's certificates of authentication to be borne by the Notes, each Conversion Notice and each assignment shall be in substantially the form set forth in this Article.

The definitive Notes shall be printed, lithographed or engraved, or produced by any combination of these methods, on steel-engraved borders or may be produced in any other manner permitted by the rules of any securities exchange on which the Notes may be listed or, if the Notes are not listed, the Notes may be produced in any other manner customarily used to produce similar definitive securities, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

SECTION 202. Form of Face of Note.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENT.

BEC GROUP, INC.

8% CONVERTIBLE SUBORDINATED NOTE DUE 2002

BEC Group, Inc., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor corporation or corporations under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns the principal sum of _____ Dollars at the office or agency of the Company maintained for the purpose in New York, New York, which initially will be at the offices of the Trustee (and at such other offices or agencies designated for that purpose by the Company), on May 3, 2002, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts,

and to compound interest, semiannually on May 3 and November 3 of each year commencing on May 3, 1996, on said principal sum at the rate per annum specified in the title of this Note until the earliest to occur of the following (the "Interest Payment Date") (1) May 3, 2002, (2) Conversion of the Notes pursuant to Section 12 hereof or (3) Redemption of the Note pursuant to Section 11 hereof. The Company shall have the option to pay on the Interest Payment Date any interest on the Notes in shares of Common Stock, the value of which shall be determined by the average closing bid price for a share of Common Stock for the 30 days immediately preceding the Interest Payment Date. Except as may be provided in any representation letter or agreement of the Company with a "clearing agency" registered under the Exchange Act, payment of the principal of and interest on this Note shall be made only upon presentation and surrender hereof at any such office or

agency and, at the option of the Company, payment of interest may be made by check mailed to the address of the person entitled thereto as such address shall appear in the Note Register.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, including, without limitation, provisions subordinating the payment of principal of and premium, if any, and interest on the Notes to the prior payment in full of all Senior Indebtedness (as defined in the Indenture) and provisions giving the holder of this Note the ability to convert such note into common stock of the Company ("Common Stock") on the terms and subject to the limitations referred to on the reverse hereof and as more fully specified in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has caused this instrument to be signed manually or by facsimile by its duly authorized officers.

Dated:

BEC GROUP, INC.,

By

President

[CORPORATE SEAL)

Attest:

By

Secretary

SECTION 203. Form of Reverse of Note.

This Note is one of a duly authorized issue of Notes of the Company, designated as set forth on the face hereof (herein called the "Notes"), limited to the aggregate principal amount of $23,000,000, all issued or to be issued under and pursuant to an Indenture dated as of May 3, 1996 (herein called the "Indenture"), duly executed and delivered by the Company to IBJ Schroder Bank & Trust Company, as Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Trustee, the Company, the holders of the Notes

and the holders of Senior Indebtedness (as defined in the Indenture).

In case an Event of Default (as defined in the Indenture) shall have occurred and be continuing, the principal hereof and accrued interest hereon may be declared, and upon such declaration shall become due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Notes; provided, however, that no such supplemental indenture shall (i) extend the Stated Maturity (as defined in the Indenture) of any Note, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof or any premium thereon, or reduce any amount payable on redemption or required purchase by the

Company thereof, or impair or affect the right of any holder of Notes to institute suit for the payment hereof on or after the date on which the same shall become due and payable, or make the principal thereof or any premium or interest thereon payable at a place or in any coin or currency other than that hereinbefore provided, or modify the provisions of the Indenture with respect to the subordination of the Notes in a manner adverse to the Noteholders, or impair the right to convert the Notes into Common Stock or the right to require the Company to purchase the Notes upon the incurrence of a Change of Control (as defined in the Indenture), subject and pursuant to the terms set forth in the Indenture, without the consent of the holder of each Note so affected, or (ii) reduce the aforesaid percentage in principal amount of outstanding Notes, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all Notes then outstanding. It is also provided in the Indenture that the holders of a majority in aggregate principal amount of the Notes at the time outstanding may on behalf of the holders of all the Notes waive any past default or Event of Default under the Indenture and its consequences except an uncured default in the payment of principal of or premium, if any, or interest on the Notes or in respect of a failure by the Company to convert any Note into Common Stock of the Company in accordance with the Indenture or in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of all holders of Notes. Any such consent or waiver by the holder of this Note shall be conclusive and binding upon such holder and upon all future holders and owners of this Note and any Notes which may be issued in exchange or substitution therefor, irrespective of whether or not any notation thereof is made upon this Note or such Notes.

Except with respect to the rights of holders of Senior Indebtedness set forth in this Note and in the Indenture, no reference herein to the Indenture and no provision of this Note or the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Note at the place, at the respective times, at the rate and in the coin or currency herein prescribed.

Interest on the Notes shall be calculated on the basis of a 360-day year of twelve 30-day months.

Subject to and upon compliance with the provisions of the Indenture, the registered holder of this Note has the right, at his option, at any time on or prior to the close of business on May 3, 2002 (or in case this Note or any portion hereof shall be called for redemption prior to such date, then on or prior to the close of business on the date fixed for redemption), to convert the principal amount hereof and all accrued but unpaid interest thereon, or any portion of such amount which is $1.00 or an integral multiple thereof,

into that number of fully paid and nonassessable shares of Common Stock (calculated to the nearest 1/100th of a share) obtained by dividing the principal amount of the Note and all accrued but unpaid interest thereon or the portion thereof to be converted by the conversion price of $5.75 per share, or the conversion price as adjusted from time to time as provided in the Indenture (the "Conversion Price"), upon surrender of this Note to the Company at the office or agency maintained for such purpose in New York, New York (and at such other offices or agencies designated for such purpose by the Company), accompanied by written notice of conversion duly executed and (if the shares of Common Stock to be issued on conversion are to be issued in any name other than that of the registered holder of this Note) by instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or his duly authorized attorney. The right to convert this Note is subject to the provisions of the Indenture relating to conversion rights in the case of certain consolidations, mergers, or sales or transfers of substantially all the Company's assets.

If between the date of issuance of the Notes and the close of business on April 15, 1997 the "closing sale price" per share of the Common Stock has not exceeded $5.50 on at least ten (10) trading days within a 30 consecutive business day period, then the Conversion Price from and after such date shall be $5.25, subject to any adjustments in the Conversion Price which have occurred prior to such time. The "closing sale price" shall mean (x) if the Common Stock is listed or admitted for trading on any national securities exchange, the last sales price or the closing bid price if no sale occurred, of Common Stock on the principal securities exchange on which such class of stock is listed, (y) if the Common Stock is not listed or admitted for trading on any such exchange, the last reported sales price of

Common Stock on the NASDAQ Stock Market, or any similar system of automatic quotation of securities prices then in common use, if so quoted, or (z) if not so quoted as described in clause (y), the mean between the high and the low asked quotations for the Common Stock as reported by the National Quotation Bureau Incorporated if at least two securities dealers have inserted both bid and asked quotations for such class of stock on at least five of the ten trading days preceding the day in question.

If the average closing sale price per share of the Common Stock for any 30 consecutive business day period during the term of the Notes equals or exceeds 135% of the Conversion Price, the Company may convert the outstanding principal hereof and all accrued but unpaid interest hereon into that number of fully paid and nonassessable shares of Common Stock (calculated to the nearest 1/100th of a share) obtained by dividing the principal amount of the Note and, to the extent permitted, all accrued but unpaid interest thereon by the

Conversion Price. The Company's right to convert this Note is subject to the notice and other provisions of the Indenture.

The Company shall not issue fractional shares or scrip representing fractions of shares of Common Stock upon any such conversion, but shall make an adjustment therefor in cash on the basis of the then current market value of such fractional interest as provided in the Indenture.

The indebtedness evidenced by the Notes is, to the extent and in the manner set forth in the Indenture, expressly subordinated and subject in right of payment to the prior payment in full of all Senior Indebtedness (as defined in the Indenture), whether outstanding at the date of the execution of the Indenture or thereafter incurred, and this Note is issued subject to such provisions of the Indenture. Each holder of this Note, by accepting the same, agrees to and shall be bound by such provisions and authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to acknowledge or effectuate such subordination as provided in the Indenture and appoints the Trustee his attorney-in-fact for any and all such purposes.

The Notes are issuable only in fully registered form without coupons in denominations of $1.00 and any integral multiple of $1.00. In the manner and subject to the limitations provided in the Indenture, but without the payment of any service charge (provided that the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith), Notes may be exchanged for an equal aggregate principal amount of Notes of other authorized denominations at the office or agency of the Company maintained for such exchange in New York, New York (and at such other offices or agencies designated for such purpose by the Company).

Subsequent to May 3, 1998, the Notes may be redeemed at the option of the Company as a whole, or from time to time in part, prior to maturity, upon not less than 30 nor more than 60 days' prior notice given as provided in the Indenture.

Notes may be redeemed during the 12-month period beginning on May 3 of each year set forth below at the applicable redemption price ("Redemption Price") set forth opposite such year (expressed in percentages of the principal amount):

<TABLE>

<S>	<C>
Year	Percentage
1998	104.0%
1999	103.0%

2000	102.0%
2001	101.0%

</TABLE>

in each case together with accrued and unpaid interest to the date fixed for redemption.

If less than all the outstanding Notes are to be redeemed, the Trustee will select in its discretion those Notes to be redeemed as a whole or in part pro rata or by lot or by such method as the Trustee shall deem fair and appropriate and in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances. On or after the redemption date, interest shall cease to accrue on Notes called for redemption.

Upon the occurrence of any Change of Control (as defined in the Indenture), the holder hereof shall have the right, at the option of such holder, and subject to the conditions of Article Fifteen of the Indenture and the subordination provisions of Article Thirteen of the Indenture, to require the Company to purchase all or any portion hereof (in a principal amount that is an integral multiple of $1.00) on the date (the "Purchase Date") that is the first business day that is 40 or more days after the mailing of the notice referred to in the next succeeding sentence, at a purchase price equal to 101% of the principal amount thereof plus interest accrued and unpaid to the Purchase Date. Within 20 days (or such other period permitted under the terms of the Indenture) after the occurrence of any Change of Control (or, in the case of a Change of Control referred to in clause (c) of the definition thereof, upon notice to the Company thereof), the Company or, at the option of the Company, the Trustee shall mail to the Trustee and the holder hereof a notice of the occurrence of such Change of Control setting forth, among other things, the circumstances and relevant facts regarding such Change of Control and the terms and conditions of, and the procedures required for exercise of, such holder's right to require such purchase by the Company. The Company shall deliver a copy of such notice to the Trustee and cause a notice in the form specified in the Indenture to be published in a daily newspaper of national circulation, which

shall be The Wall Street Journal unless it is not then so circulated. In order to exercise such right, such holder shall, prior to the close of business five business days prior to the Purchase Date, surrender this Note at such place of payment in such notice specified, accompanied by written notice of such exercise, specifying such portion of this Note such holder elects to have purchased, all as further provided in the Indenture. No Notes may be purchased if there has occurred and is continuing an Event of Default under the Indenture

(other than a default in the payment of the purchase price with respect to such Notes). If the Company is prohibited by applicable law from mailing such notice to holders or purchasing Notes from the holders thereof in the event of a Change of Control, the Company will have no obligation to purchase this Note from the holder hereof for so long as such prohibition is in effect.

Upon surrender for registration of transfer of this Note at the office or agency of the Company maintained for such registration in New York, New York (and at such other offices or agencies designated for such purpose by the Company), a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange herefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

The Company, the Trustee, any paying agent, conversion agent and Note registrar may deem and treat the registered holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Company or any Note registrar), for the purpose of receiving payment hereof or on account hereof, as herein and in the Indenture provided, for conversion hereof and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any conversion agent nor any Note registrar shall be affected by any notice to the contrary. All such payments and conversions shall satisfy and discharge the liability upon this Note to the extent of the sum or sums so paid or the conversions so made.

No recourse for the payment of the principal of or premium, if any, or interest on this Note, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or in any indenture supplemental thereto or in any Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the

consideration for the issue hereof, expressly waived and released.

THE INDENTURE AND THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture referred to herein.

SECTION 204. Form of Trustee's Certificate of Authentication. This is one of the Notes described in the within-mentioned Indenture.

IBJ SCHRODER BANK & TRUST COMPANY,
As Trustee

By

Authorized Signatory

SECTION 205. Form of Conversion Notice.

CONVERSION NOTICE

To: BEC GROUP, INC.

The undersigned registered owner of the Note hereby irrevocably exercises the option to convert this Note, or portion hereof (which is $1.00 or an integral multiple thereof) below designated, into shares of Common Stock of BEC Group, Inc., in accordance with the terms of the Indenture referred to in this Note, and directs that the shares issuable and deliverable upon the conversion, together with any check in payment for fractional shares and a Note or Notes representing any unconverted principal amount or accrued but unpaid interest amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If shares or any portion of this Note not converted are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest and taxes accompanies this Note.

Dated:

Signature[s]

<TABLE>
<S> <C>

Fill in for registration of shares if to be delivered, and Notes if to be issued, other than to and in the name of the registered holder (Please Print):

Principal amount to be converted (if less than all): $_____.00

Accrued but unpaid interest amount to be converted (if less than all): $_____

Social Security or other Taxpayer Identification Number

</TABLE>

(Name)

(Street Address)

(City, State and zip code)

SECTION 206. Form of Assignment.

For value received _____ hereby sell(s), assign(s) and transfer(s) unto

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(Please include social security or other tax identification number of assignee.)

the within Note and hereby irrevocably constitutes and appoints _____ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

Dated

Signature(s)

Signature(s) must be guaranteed by a commercial bank or trust company or a member firm of a major stock exchange.

Signature Guarantee

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ARTICLE THREE

The Notes

SECTION 301. Designation, Amount and Issue of Notes. The Notes shall be designated as the "8% Convertible Subordinated Notes Due 2002" of the Company. Notes not to exceed the aggregate principal amount of $23,000,000 (except as otherwise provided in Section 306), upon execution of this Indenture, or from time to time thereafter, may be issued by the Company.

Payments in respect of the principal of (and premium, if any) and interest on the Notes shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York maintained for such purpose and at any other office or agency maintained by the Company for such purpose; provided, however, that (except as may be provided in any representation letter or agreement of the Company with a "clearing agency" registered under the Exchange Act) payment of the principal of and accrued but unpaid interest on (and premium, if any, on) the Notes shall be made only upon presentation and surrender thereof at any such office or agency.

SECTION 302. Denominations, Dates and Interest Payment. The Notes shall be issuable only in registered form without coupons in a minimum denomination of $1.00 and in any integral multiple of $1.00.

Every Note shall be dated the date of its authentication and shall bear interest, which shall be compounded semi-annually, from May 3, 1996, until the earliest to occur of the following (the "Interest Payment Date"): (1) May 3, 2002, (2) Conversion of the Notes pursuant to Article 12 hereof or (3) Redemption of the Notes pursuant to Article 11 herein.

Interest on the Notes shall be payable on the Interest Payment Date. The interest may be paid, at the Company's option, in cash or in shares of Common Stock valued at the average closing sale price per share of the Common Stock for the [thirty (30)] trading days immediately prior to the Interest Payment Date (the "Average Common Stock Price"), if there is in effect on the Interest Payment Date a registration statement with respect to the resale of shares of Common Stock as required under the terms of the Registration Rights Agreement dated May 3, 1996 between the Company and certain holders of the Notes (the "Registration Rights Agreement") and use of the prospectus filed with a registration statement with respect to the resale of shares of Common Stock has not on such date been suspended by the Company by giving a Suspension Notice (as defined in the Registration Rights Agreement) pursuant to Section 4 of the Registration Rights Agreement. The "closing sale price" shall mean (x) if the Common Stock is listed or admitted for trading on any national securities exchange, the last sales price or the closing bid price

if no sale occurred, of Common Stock on the principal

securities exchange on which such class of stock is listed (the "Stock Exchange"), (y) if the Common Stock is not listed or admitted for trading on any such exchange, the last reported sales price of Common Stock on the NASDAQ Stock Market, or any similar system of automatic quotation of securities prices then in common use, if so quoted, or (z) if not so quoted as described in clause (y), the mean between the high and low asked quotations for the Common Stock as reported by the National Quotation Bureau Incorporated if at least two securities dealers have inserted both bid and asked quotations for such class of stock on at least five of the ten trading days preceding the day in question. Interest on the Notes shall be calculated on the basis of a 360-day year of twelve 30-day months.

SECTION 303. Execution, Authentication and Delivery of Notes. The Notes shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon, attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes, and the Trustee in accordance with the Company Order shall authenticate and deliver such Notes as in this Indenture provided and not otherwise.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture.

SECTION 304. Temporary Notes. Pending the preparation of definitive Notes, the Company may execute, and upon Company order, the Trustee

shall authenticate and deliver, temporary Notes which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Notes in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers

executing such Notes may determine, as evidenced by their execution of such Notes.

If temporary Notes are issued, the Company will cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes stall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency maintained by the Company pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as definitive Notes.

SECTION 305. Exchange and Registration of Transfer of Notes. The Company shall cause to be kept at the Corporate Trust Office and at the principal office of such other Person or Persons as may be designated by the Company, a register (the register maintained in each such office and in any other office or agency maintained by the Company pursuant to Section 1002 being herein sometimes collectively referred to as the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. The Trustee is hereby appointed "Note Registrar" for the purpose of registering Notes and transfers of Notes as herein provided; provided, however, that if the Company gives a Company Order to the Trustee designating a Person other than the Trustee to serve as Note Registrar, then such Person shall be appointed as "Note Registrar" for the purpose of registering and transferring the Notes as herein provided.

Upon surrender for registration of transfer of any Note at the office or agency maintained by the Company pursuant to Section 1002, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Notes may by exchanged for other Notes, of any authorized denominations and of a like aggregate principal amount, upon surrender of the Notes to be exchanged at such office or agency.

Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Notes which the Holder making the exchange is entitled to receive.

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

this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or for exchange, redemption, purchase upon a Change in Control, conversion or payment shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee and the Note Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Notes, or issue of new Notes in case of partial redemption, purchase upon a Change in Control or conversion, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith, other than exchanges pursuant to Section 304, Section 906, the second paragraph of Section 1103, the last sentence of the first paragraph of Section 1202 or the fourth paragraph of Section 1504, not involving any transfer.

The Company shall not be required to register a transfer of or exchange of (i) any Notes for a period beginning at the opening of business 15 days before the day of the mailing of a Notice of Redemption of Notes selected for redemption under Section 1102 and ending at the close of business on the day of such mailing, (ii) any Notes selected, called or being called for redemption except, in the case of any Note to be redeemed in part, the portion thereof not to be so redeemed, or (iii) any Notes or portion thereof surrendered for conversion or, unless withdrawn, delivered for purchase by the Company pursuant to Article Fifteen.

SECTION 306. Mutilated, Destroyed, Lost and Stolen Notes. If any mutilated Note is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Note of like principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence of the destruction, loss or theft of any Note and (ii) such security

or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Note has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Note, a new Note of like principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, permit the conversion of such Note, or pay such Note (without

surrender thereof except in the case of a mutilated Note) if the Holder thereof has so requested.

Upon the issuance of any new Note under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including fees and expenses of the Trustee) connected therewith.

Every new Note issued pursuant to this section in lieu of any destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

SECTION 307. Payment of Interest; Interest Rights Preserved. Interest on any Note which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Note (or one or more Predecessor Notes) is registered at the close of business on the Interest Payment Date.

Subject to the foregoing provisions of this Section, each Note delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Note.

Whenever reference is made in this Section 307 to the Trustee, such reference shall be deemed to mean the Trustee or, if the Company shall

have appointed a Person other than the Trustee to serve as the Paying Agent for the Notes issued under the Indenture, the Paying Agent for the Notes.

SECTION 308. Persons Deemed Owners. Prior to due presentment of a Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Note is registered as the owner of such Note for the purpose of receiving payment of principal of and premium, if any, and (subject to Section 307) interest on such Note, for conversion of such Note and for all other purposes whatsoever, whether or not such Note be overdue and notwithstanding any notation of ownership or other writing thereon by anyone other than the Company or the Note Registrar, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. Cancellation. All Notes surrendered for payment, redemption, purchase upon a Change in Control, conversion, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly canceled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Notes held by the Trustee shall be destroyed and certification of their destruction delivered to the Company, unless by a Company Order the Company shall direct that canceled Notes be returned to it.

Wherever reference is made in this Section 309 to the Trustee, such reference shall be deemed to mean the Trustee or, if the Company shall have appointed a Person other than the Trustee to serve as the Note Registrar for the Notes issued under the Indenture, the Note Registrar for the Notes.

SECTION 310. CUSIP Numbers. The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and if so used, the Trustee shall use CUSIP numbers in notices of redemption or exchange as a convenience to Holders of Notes; provided, that any such notice shall state that no representation is made as to the correctness or accuracy of the CUSIP numbers either as printed on the Notes or as contained in any notice of redemption or exchange and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption or exchange shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee of any change in the CUSIP numbers.

ARTICLE FOUR

Satisfaction and Discharge

SECTION 401. Satisfaction and Discharge of Indenture. This Indenture shall upon Company Request cease to be of further effect (except as to any surviving rights of conversion, registration of transfer or exchange of Notes herein expressly provided for), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Notes theretofore authenticated and delivered (other than (i) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Notes for whose payment money has theretofore been deposited in trust or segregated and held

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in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all such Notes not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable by their terms within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Trustee for cancellation, for principal of and premium, if any, and interest to the date of such deposit (in the case of Notes which have become due and payable) or to the date of maturity or Redemption Date of such Notes, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607, the obligations of the Trustee to any Authenticating Agent under Section 614 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Application of Trust Money. Subject to the provisions of the last paragraph of Section 1003 and Article Thirteen, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal of and premium, if any, and interest for whose payment such money has been deposited with the Trustee. All monies

deposited with the Trustee pursuant to Section 401 (and held by it or any Paying Agent) for the payment of Notes subsequently converted into Common Stock pursuant to this Indenture shall be returned to the Company upon Company Request.

ARTICLE FIVE

Remedies

SECTION 501. Events of Default. "Event of Default", wherever used herein with respect to the Notes, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or pursuant to the subordination provisions of Article Thirteen hereof, or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of the principal of or accrued

but unpaid interest or premium, if any, on any of the Notes as and when the same shall become due and payable, either in connection with any redemption or required purchase upon a Change of Control, by declaration or otherwise and whether or not such payment is prohibited by the provisions of Article Thirteen; or

(2) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this section specifically dealt with), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Notes a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(3) a default under any bond, debenture, note or other evidence of indebtedness for money borrowed by the Company or any Subsidiary or 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 Subsidiary, whether such indebtedness now exists or shall hereafter be created, which default shall have resulted in $1,000,000 or more of such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such indebtedness having been discharged, or acceleration having been rescinded or annulled, within a period of 30 days after there shall have been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the

Holders of at least 25% in principal amount of the Outstanding Notes a written notice specifying such default and requiring the Company to cause such indebtedness to be discharged or cause such acceleration to be rescinded or annulled and stating that such notice is a "Notice of Default" hereunder; or

(4) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or any Subsidiary in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company or any Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or

composition of or in respect of the Company or any Subsidiary under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of the Company's property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or for any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(5) the commencement by the Company or any Subsidiary of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or the consent by it to the entry of a decree or order for relief in respect of the Company or any Subsidiary in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law, or the consent by the Company or any Subsidiary to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or any Subsidiary or of any substantial part of the Company's property, or the making by it of a general assignment for the benefit of creditors; or

(6) failure to comply with Section 801.

SECTION 502. Acceleration of Maturity, Rescission and Annulment. If an Event of Default (other than an Event of Default described in Sections 501(5) and (6)) with respect to the Notes at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Notes may declare the principal amount of and accrued but unpaid interest on all the Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders) and upon any such declaration such principal amount and

accrued but unpaid interest shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Notes, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum

sufficient to pay

(A) all accrued but unpaid interest on all Notes,

(B) the principal of any Notes which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes, and

(C) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents, counsel, accountants and experts;

and

(2) all Events of Default with respect to the Notes, other than the nonpayment of the principal of Notes which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

In the case of any Event of Default described in Section 501(5) or (6), all unpaid principal of and premium, if any, and accrued interest on the Notes shall be due and payable immediately without any declaration or other act on the part of the Trustee or the Holders of Notes.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if default is made in the payment of the principal of or accrued but unpaid interest on or premium, if any, on any Note as and when the same shall become due and payable, whether at maturity of the Notes or in connection with any redemption or required purchase upon a Change of Control, by declaration or otherwise, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Notes, the whole amount then due and payable on such Notes for principal, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal and premium, if

any, and on any overdue interest, at the rate borne by the Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents, counsel, accountants and experts.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor on the Notes and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor on the Notes, wherever situated.

If an Event of Default with respect to the Notes occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Notes by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor on the Notes or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Notes and to file such other papers and 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, counsel, accountants and experts) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same in accordance with Section 506;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding

is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents, counsel, accountants and experts, and any other amounts due the Trustee under Section 607.

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 thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. Trustee May Enforce Claims Without Possession of Note. All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents, counsel, accountants and experts, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

SECTION 506. Application of Money or Other Property Collected. Subject to Article Thirteen, any money or other property collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money or other property on account of principal, premium, if any, or interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under Section 607;

Second: To the payment of the amounts then due and unpaid for principal of and premium, if any, and interest on the Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Notes for principal, premium, if any, and interest, respectively; and

Third: To the payment of the remainder, if any, to the Company or any other Person lawfully entitled thereto.

SECTION 507. Limitation on Suits. No Holder of any Note shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Notes;

(2) the Holders of not less than 25% in aggregate principal amount of the Outstanding Notes shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be Incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Notes;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

Anything in this Indenture or the Notes to the contrary notwithstanding, the Holder of any Note, without the consent of either the Trustee or the Holder of any other Note, in his own behalf and for his own benefit may enforce, and may institute and maintain any proceeding suitable to enforce, his rights of conversion as provided herein.

SECTION 508. Right of Holders To Convert and To Receive Principal, Premium and Interest. Subject to the provisions of Article Thirteen hereof, but notwithstanding any other provision in this Indenture, the Holder of any Note shall have the right to convert such Note in accordance with this Indenture, to receive payment of the principal of and premium, if any, and interest on such Note when due as set forth in this Indenture and to institute suit for the enforcement of any such

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payment, and such rights shall not be impaired or affected without the consent of such Holder.

SECTION 509. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of any Notes to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders. The Holders of a majority in principal amount of the Outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to Notes; provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture;

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction; and

(3) subject to Section 601, the Trustee need not take any action which might involve the Trustee in personal

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liability or be unduly prejudicial to the Holders not joining therein.

SECTION 513. Waiver of Past Defaults. The Holders of not less than a majority in principal amount of the Outstanding Notes may on behalf of the Holders of all the Notes waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of or premium, if any, or interest on any Notes, or

(2) a failure by the Company to convert any Notes into Common Stock, or

(3) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Note.

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 and the Notes; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Note by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys, fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Notes, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or premium, if any, or interest on any Note on or after the due date expressed in such Note or to any suit for the enforcement of the right to convert any Note in accordance with this Indenture.

SECTION 515. Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, usury or extension law wherever enacted, now

or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit

or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

The Trustee

SECTION 601. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, 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; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, 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 their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) the Trustee shall not be liable for any error or judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Notes, determined as provided in Section 512, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power

conferred upon the Trustee, under this Indenture with respect to the Notes; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise Incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 602. Notice of Defaults. Within 90 days after the occurrence of any default hereunder with respect to the Notes, the Trustee shall transmit by mail to all Holders of Notes, as their names and addresses appear in the Note Register, notice of such default hereunder known to the Trustee, unless such defaults shall have been cured or waived; provided, however, that except in the case of a default in the payment of the principal of or premium, if any, or interest on any Note, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders of Notes; and provided further that in the case of any default of the character specified in Section 501(3) no such notice to Holders shall be given until at least 60 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

SECTION 603. Certain Rights of Trustee. Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of Indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be Incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, Act, Company Order, Company Request, Officers' Certificate, direction, consent, order, bond, debenture, note, other evidence of Indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or

attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 604. Not Responsible for Recitals or Issuance of Notes. The recitals contained herein and in the Notes, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee or any Authenticating Agent assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Notes or the proceeds thereof.

SECTION 605. May Hold Notes. The Trustee, any Authenticating Agent, any Paying Agent, any Conversion Agent, any

Note Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Notes and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Conversion Agent, Note Registrar or such other agent.

SECTION 606. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 607. Compensation and Reimbursement. The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances Incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents, counsel, accountants and experts), except any such expense,

disbursement or advance as may be attributable to its negligence, willful misconduct or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense Incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Company promptly 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 Company shall defend the claim and the Trustee may have separate counsel and the Company shall pay the fees and expenses of such counsel.

The obligations of the Company under this Section 607 to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional Indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. To secure the Company's payment obligations in this Section 607, the Company

and the Holders agree that the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee as such except money or property held in trust to pay principal of or premium, if any, or interest on particular Notes (provided that the foregoing exception shall not be applicable to money or property subject to the provisions of Section 506) and such Lien shall survive the satisfaction and discharge of the Indenture and any other termination under any bankruptcy law. When the Trustee Incurs expenses or renders services in connection with an Event of Default of Section 501(4) or 501(5), the Holders by their acceptance of the Notes hereby agree that such expenses and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law. "Trustee" for the purposes of this Section 607 shall include any predecessor Trustee, but the negligence or bad faith of any Trustee shall not affect the indemnification of any other Trustee.

SECTION 608. Disqualification; Conflicting Interests. If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 609. Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000 subject to supervision or examination by Federal or State or District of Columbia authority and having a corporate trust office in New York, New York, to the extent there is such an institution eligible and willing to serve. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 611.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of

acceptance by a successor Trustee required by Section 611 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Notes, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees and shall comply with the applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in aggregate principal amount of the Outstanding Notes delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 611, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 611, the Trustee or any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of

himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to all Holders of Notes as their names and addresses appear in the Note Register. Each notice shall include the name of the successor Trustee and the address of the Corporate Trust Office.

SECTION 611. Acceptance of Appointment by Successor. (a) In case of the appointment hereunder of a successor Trustee, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and

such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trust and duties of the retiring Trustee, but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges pursuant to Section 607, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) of this Section.

(c) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. Mercer, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a patty, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder; provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver

the Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes.

SECTION 613. Preferential Collection of Claims Against Company. The Trustee shall comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship listed in Section 311(b) of the Trust Indenture Act. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the Trust Indenture Act to the extent indicated therein.

SECTION 614. Appointment of Authenticating Agent. At any time when any of the Notes remain Outstanding the Trustee may appoint an Authenticating Agent or Agents with respect to the Notes which shall be authorized to act on behalf of the Trustee to authenticate Notes issued upon

exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Notes so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Notes by the Trustee or the Trustee's certificate of authentication such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District or Columbia authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent; provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Notes, as their names and addresses appear in the Note Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become

vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

If an appointment is made pursuant to this Section, the Notes may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Notes described in the within mentioned Indenture.

IBJ SCHRODER BANK & TRUST COMPANY,
As Trustee

By:

As Authenticating Agent

By:

Authorized Signatory

ARTICLE SEVEN

Holders' Lists and Reports by Trustee and Company

SECTION 701. Company To Furnish Trustee Names and Addresses of Holders. The Company will furnish or cause to be furnished to the Trustee

(a) semiannually, not later than 15 days after each Regular Record Date, a list, in such form as the Trustee may

reasonably require, of the names and addresses of the Holders as of such Regular Record Date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such

request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

provided, however, that so long as the Trustee is the Note Registrar no such list shall be required to be furnished to the Trustee. If Any Person other than the Trustee is the Note Registrar for the Notes, the Company shall not be required to furnish to such Person any of the lists described in Section 701(a) and (b).

SECTION 702. Preservation of Information; Communications to Holders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Note Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) If three or more Holders (herein referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Note for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders with respect to their rights under this Indenture or under the Notes and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five business days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 702(a), or

(ii) inform such applicants as to the approximate number of Holders whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 702(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder whose name and address appear in the information preserved at the time by the Trustee in accordance with Section 702(a) a copy of the

form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interest of the Holders or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Holders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of Notes, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders,in accordance with Section 702(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 702(b).

SECTION 703. Reports by Trustee. (a) Within 60 days after May 15 of each year commencing with the year 1997, the Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Note Register, such reports as may be required by the Trust Indenture Act in the manner provided therein.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Notes are listed, with the Commission and with the Company. The Company will notify the Trustee when the Notes are listed on any stock exchange.

SECTION 704. Reports by Company. The Company shall:

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be

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required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations;

(3) transmit by mail to all Holders, as their names and addresses appear in the Note Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission; and

(4) file with the Trustee a certificate of the principal executive officer, the principal financial officer or the principal accounting officer of the Company on or before May 1 in each year, commencing with the year 1997 stating whether or not, to the knowledge of the signer, the Company has complied with all conditions and covenants on its part contained in this Indenture, and, if the signer has obtained knowledge of any default by the Company in the performance, observance or fulfillment of any such condition or covenant, specifying each such default and the nature thereof. For the purpose of this Section 704, compliance shall be determined without regard to any grace period or requirement of notice provided pursuant to the terms of this Indenture.

SECTION 705. Reports by Note Registrar. If the Company shall appoint a Person other than the Trustee to serve as the Note Registrar, the Note Registrar shall be required to deliver to the Trustee reports in such form as the Trustee may reasonably require. Such reports shall be sent to the Trustee by facsimile within one Business Day after each interest Payment Date and after the principal of any Note becomes due, upon maturity, by redemption, as a result of a Change of Control or otherwise (the "Payment Dates"), and a copy of such

reports shall also be delivered to Trustee by overnight courier or shall be

hand delivered. Upon three days prior written notice from the Trustee, the Note Registrar may also be required to provide additional reports reasonably requested by the Trustee on dates other than Payment Dates. The reports which the Note Registrar shall be required to provide to the Trustee shall include the following information:

(1) the outstanding amount of all such Notes issued pursuant to the Indenture as of the Regular Record Date last preceding the date such report is furnished, including information as to the outstanding amount of such Notes;

(2) a complete list of the names and addresses of the Holders of such Outstanding Notes as of the Regular Record Date last preceding the date such report is furnished, including information as to the type and amount of such Notes held by each such Holder; and

(3) such additional information, documents and reports as the Trustee may reasonably request;

provided, however, that if any payment of principal or interest is not made by 4:00 p.m. Eastern Standard Time on a Payment Date with respect to any Notes at the time Outstanding, the Note Registrar will be required to provide notice of such nonpayment to the Trustee by telephone by 5:00 p.m. Eastern Standard Time on the date upon which such nonpayment occurs and to deliver to the Trustee on the day following the date upon which such nonpayment occurs the information required pursuant to (1) and (2) above.

ARTICLE EIGHT

Consolidation, Merger, Conveyance, Transfer, Sale or Lease

SECTION 801. Company May Consolidate, Etc., on Certain Terms. The Company shall not consolidate with or merge into any other corporation or convey, transfer, sell or lease its properties and assets as, or substantially as, an entirety to any Person, unless:

(1) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer, sale or lease the properties and assets of the Company as, or substantially as, an entirety shall be a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and shall, by an

indenture supplemental hereto executed and delivered to the Trustee, in form satisfactory to the Trustee, expressly assume the due and punctual payment of the principal of and premium, if any, and interest on all the Notes and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

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(2) immediately after giving effect to such transaction, no Event of Default, or event which after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; and

(3) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel acceptable to the Trustee, each stating that such consolidation, merger, conveyance, transfer, sale or lease and such supplemental indenture (if any) comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 802. Successor Corporation Substituted. Upon any consolidation by the Company with or merger by the Company into any other corporation or any conveyance, transfer, sale or lease of the property and assets of the Company as, or substantially as, an entirety in accordance with Section 801, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance, transfer, sale or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under this Indenture and the Notes.

ARTICLE NINE

Supplemental Indentures

SECTION 901. Supplemental Indentures Without Consent of Holders. Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to make provisions with respect to the conversion rights of Holders of Notes pursuant to Section 1209; or

(2) to evidence the succession of another corporation to

the Company and the assumption by any such successor of the covenants, agreements and obligations of the company herein and in the Notes; or

(3) to add to the covenants of the Company for the benefit of the Holders of Notes or to surrender any right or power herein conferred upon the Company; or

(4) to add any additional Events of Default; or

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(5) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the issuance of Notes in bearer form, registrable or not registrable as to principal, and with or without interest coupons; or

(6) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee; or

(7) to secure the Notes; or

(8) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture; provided that such action shall not adversely affect the interests of the Holders of Notes in any material respect; or

(9) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect or maintain the qualification of this Indenture under the Trust Indenture Act, or under any similar Federal statute hereafter enacted.

SECTION 902. Supplemental Indentures with Consent of Holders. With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Notes, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Notes under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Note affected thereby,

(1) extend the fixed maturity of any Note, or reduce the rate or extend the time of payment of interest thereon, or reduce the

principal amount thereof or any premium thereon, or reduce any amount payable on redemption or required purchase by the Company thereof, or impair or affect the right of any Holder to institute suit for the payment thereof on or after the date on which the same shall be become due and payable, or make the principal thereof or any premium or interest thereon payable at a place or in any coin or currency other than that provided for in the form of Note set forth in Article Two or modify the provisions of this Indenture with respect to the subordination of the Notes in a manner adverse to the Holders, or impair the right to convert the Notes into Common Stock or the right to require the Company to purchase the Notes upon the

occurrence of a Change of Control, subject to the terms set forth herein;

(2) reduce the percentage in principal amount of the Outstanding Notes, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture; or

(3) modify any of the provisions of this Section or Section 513, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby; provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section 902, the Company shall give notice by first-class mail, postage prepaid to all Holders of Notes listed in the Note Register, setting forth in general terms the substance of such supplemental indenture. Any failure of the Company so to give such notice or any defect therein shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 903. Execution of Supplemental Indentures. In

executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes, and every Holder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 905. Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 906. Reference in Notes to Supplemental Indentures. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Notes without cost to the Holders thereof.

ARTICLE TEN

Covenants

SECTION 1001. Payment of Principal, Premium and Interest. The Company covenants and agrees that it will duly and punctually pay the principal of and premium, if any, and interest on each of the Notes at the place, at the respective times and in the manner provided in the Notes and in this Indenture.

Interest on the Notes may be paid by mailing checks for the interest payable to the Holders of Notes entitled thereto as they shall appear on the Note Register.

SECTION 1002. Office for Notices, Payments and Conversions,

Etc. So long as any of the Notes remain outstanding, the Company will maintain in New York, New York, an office or agency where the Notes may be presented or surrendered for payment, where the Notes may be surrendered for registration of transfer or for exchange as in this Indenture provided, where the Notes may be surrendered for conversion and where notices and demands to or upon the Company in respect of the Notes or of this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in location, of any such office or agency. If at any time, the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices, and demands may be made or served at the Corporate Trust Office of the Trustee and the Company hereby appoints the Trustee at One State Street, New York, N.Y. 10004, as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside New York, New York) where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such

designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in New York, New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 1003. Money for Notes To Be Held in Trust. If the Company shall at any time act as its own Paying Agent with respect to the Notes, it will, on or before each due date of the principal of, or premium, if any, or interest on any of the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium, if any, or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided. The Company shall take such action on or before 10:00 a.m. Eastern Standard Time on each such due date and shall notify the Trustee of its action or failure so to act by delivering a notice by facsimile to the Trustee no later than 11:00 a.m. Eastern Standard Time on each such due date.

Whenever the Company shall have one or more Paying Agents for the Notes, it will, prior to each due date of the principal of, or premium, if any, or interest on, any Notes, deposit with a Paying Agent a sum sufficient to pay the principal, premium or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest. The Company shall take such action on or before 10:00 a.m. Eastern Standard Time on each such due date and shall notify the Trustee (unless the Trustee is the Paying Agent) of its action or failure so to act by delivering a notice by facsimile to the Trustee no later than 11:00 a.m. Eastern Standard

Time on each such due date.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will,

(1) hold all sums held by it for the payment of the principal of, and premium, if any, and interest on the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Notes) in the making of any payment of principal, or premium, if any, or interest on the Notes; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and Discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, and premium, if any, or interest on any Note and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; Provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the City of New York, New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 1004. Appointments To Fill Vacancies in Trustee's

Office. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 610, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 1005. Corporate Existence. Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 1006. Payment of Taxes and Other Claims. The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or upon the income, profits or property of the Company, and (2) all lawful claims for labor, materials and supplies which, in the case of either clause (1) or (2) of this Section, if unpaid, might by law become a Lien upon the property of the Company; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount,

applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1007. Further Instruments and Acts. Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry cut more effectively the purpose-of this Indenture.

ARTICLE ELEVEN

Redemption of Notes

SECTION 1101. Redemption of Notes. The Notes may be redeemed at the Company's option subsequent to May 3, 1998. Thereafter, the Company may, at its option, redeem all or, from time to time, any part of the Notes, on any date prior to maturity, in the manner specified in this Article Eleven and in the Notes, at the Redemption Prices set forth in the form of Note set forth in Article Two, together with accrued and unpaid interest, if any, to the date fixed for redemption.

SECTION 1102. Notice of Redemption; Selection of Notes. In case the Company shall desire to exercise its right to redeem all or any part of the Notes pursuant to Section 1101, it shall fix a date for redemption (a "Redemption Date"), it shall notify the Trustee in writing of such date and it or, at its request, the Trustee, in the name of and at the expense of the Company, shall mail or cause to be mailed a notice of such redemption (a "Notice of Redemption") at least 30 but not more than 60 days prior to the date fixed for redemption to the Holders of the Notes so to be redeemed as a whole or in part at their last addresses as the same appear on the Note Register.

Such mailing shall be by first-class mail, postage prepaid. Any Notice of Redemption which is given in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice. In any case, failure to give such notice, or any defect in such notice, to the Holder of any Note designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Note.

Each Notice of Redemption shall specify the principal amount of each Note to be redeemed, the Redemption Date for such Notes, the place of redemption and the Redemption Price at which such Notes are to be redeemed, and shall state that payment of the Redemption Price of the Notes or portions thereof to be redeemed will be made on surrender of the Notes to be redeemed at such place of redemption, that interest accrued to such Redemption Date will be paid as specified in such notice, and that from and after such date interest thereon will cease to accrue. Such Notice of Redemption shall also state the then current Conversion Price and that the right to convert such Notes or portions thereof into Common Stock will expire at the close of

business on the Redemption Date. If fewer than all the Notes are to be redeemed, the Notice of Redemption shall specify the Notes or portions thereof to be redeemed. If such Notice of Redemption uses CUSIP numbers, such notice shall state that no representation is made as to the correctness or accuracy of the CUSIP numbers contained in such notice or printed on the Notes and shall include such other statements required by Section 310. In case any Note is to be redeemed in part only, the notice which relates to such Note shall state the portion of the principal amount thereof to be redeemed (which shall be $1,000 or any integral multiple thereof) and shall state that, upon surrender of such Note, a new Note or Notes in aggregate principal amount equal to the unredeemed portion thereof will be issued.

On or prior to each Redemption Date specified in each Notice of Redemption given as provided in this Section, the Company will deposit or cause to be deposited with the Trustee or with one or more Paying Agents (or, if the company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to redeem on such Redemption Date all the Notes so called for redemption (other than those theretofore surrendered for conversion into Common Stock) at the appropriate Redemption Price, together with accrued interest to the Redemption Date.

If any Note called for redemption is converted pursuant to the provisions of Article Twelve hereof, any money deposited with the Trustee or any Paying Agent or so segregated and held in trust for the redemption of such Note shall be paid to the Company upon a Company Request, or, if then held by the Company, shall be discharged from such trust.

If fewer than all of the Notes are to be redeemed, the Company

shall give the Trustee at least 60 days' notice (unless a shorter period shall be acceptable to the Trustee) in advance of the Redemption Date as to the aggregate principal amount of the Notes to be redeemed, and thereupon the Trustee shall select from the Outstanding Notes not previously called for redemption the particular Notes to be redeemed as a whole or in part pro rata or by lot or by such other method as the Trustee shall deem fair and appropriate and in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances and the Trustee shall thereafter promptly notify the Company in writing of the Notes (and, in the case of any Note selected for partial redemption, the principal amount therefore to be redeemed) so to be redeemed. Notes shall be redeemed only in denominations of $1,000 or any integral multiple of $1,000. Provisions of this Indenture that apply to Notes selected for redemption also apply to portions of Notes selected for redemption.

If any Note selected for partial redemption is converted in part before the termination of the conversion right with respect to the portion of the Note so selected, the

converted portion of such Note shall be deemed (so far as may be) to be the portion selected for redemption.

Upon any redemption of fewer than all Notes, the Company and the Trustee may treat as Outstanding any Notes surrendered for conversion during the period of 15 days next preceding the mailing of a Notice of Redemption and need not treat as Outstanding any Note authenticated and delivered during such period in exchange for the unconverted portion of any Note converted in part during such period.

SECTION 1103. Payment of Notes Called for Redemption; Notes Redeemed in Part. If Notice of Redemption shall have been given as provided above, such Notes or portions of Notes called for redemption shall, unless theretofore converted into Common Stock as provided in Article Twelve, become due and payable on the Redemption Date and at the place stated in such notice at the applicable Redemption Price, together with interest accrued thereon to the Redemption Date. On and after such Redemption Date, unless the Company shall default in the payment of the Redemption Price, together with interest accrued to the Redemption Date, interest on the Notes or portions thereof so called for redemption shall cease to accrue and such Notes shall cease at the close of business on the Redemption Date to be convertible into Common Stock and, except as provided in Section 1003, such Notes or portions thereof shall be deemed not to be entitled to any benefit under this Indenture except to receive payment of the Redemption Price, together with interest accrued thereon to the Redemption Date. On presentation and surrender of such Notes at such place of payment specified in the Notice of Redemption, provided that the Company shall have deposited or caused to be deposited on or prior to such Redemption Date the amount sufficient to pay the Redemption Price, together

with interest accrued thereon to the Redemption Date, such Notes or the specified portions thereof shall be paid and redeemed at the applicable Redemption Price, together with interest accrued thereon to the Redemption Date; provided that any semiannual accrual of interest becoming due on the Redemption Date shall be payable to the Holders of such Notes on the Interest Payment Date.

Upon surrender of any Note redeemed in part only, the Company shall execute and the Trustee shall register or cause to be registered on the Note Register, and shall authenticate and deliver to the Holder of such Note without service charge, a new Note or Notes of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Note so surrendered.

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal and premium, if any, shall, until paid or duly provided for, bear interest from the date fixed for redemption at the rate borne by the Note and such Note shall remain convertible into Common Stock until

the principal and premium, if any, shall have been paid or duly provided for.

ARTICLE TWELVE

Conversion of Notes

SECTION 1201. Conversion Privilege; Manner of Exercise of Conversion Privilege Subject to and upon compliance with the provisions of this Article Twelve, the Holder of any Note shall have the right, at his option, at any time on or prior to the close of business on May 3, 2002 (or, if such Note or portion thereof is called for redemption prior to May 3, 2002, then in respect of such Note or portion thereof, on or prior to the close of business on the Redemption Date, unless the Company shall default in payment due upon redemption thereof), to convert the principal amount of any such Note and the accrued but unpaid interest thereon, or any portion of such amount which is $1,000 or an integral multiple thereof, into that number of fully paid and nonassessable shares of Common Stock (calculated as to each conversion to the nearest 1/100th of a share) obtained by dividing the principal amount of the Note and the accrued but unpaid interest thereon or portion thereof to be converted by the Conversion Price in effect at such time and by surrender of the Note so to be converted in whole or in part, such surrender to be made in the manner provided in this Section 1201.

In order to exercise the conversion privilege, the Holder of any Note to be converted in whole or in part shall surrender such Note, duly endorsed or assigned to the Company or in blank, at any of the offices or agencies to be maintained for such purpose by the Company pursuant to Section 1002, and shall give written notice of conversion in the form provided on the

Notes (or such other notice as is acceptable to the Company) to the Company (a "Conversion Notice") at such office or agency that the Holder elects to convert such Note or the portion thereof specified in said notice. Such Conversion Notice shall also state the name or names, together with the address or addresses, in which the certificate or certificates for shares of Common Stock which shall be issuable in such conversion shall be issued. Each Note surrendered for conversion shall, unless the shares issuable on conversion are to be issued in the same name as the name in which such Note is registered, be accompanied by instruments of transfer, in form satisfactory to the Company, duly executed by the Holder or his duly authorized attorney and in amount sufficient to pay any transfer or similar tax. As promptly as practicable after the surrender of such Note and the receipt of such Conversion Notice, instruments of transfer and funds, if any, as aforesaid, the Company shall issue and shall deliver at such office or agency to such Holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such Note or portion thereof in accordance with the provisions of this Article Twelve and a check or cash in respect of any fractional

interest in a share of Common Stock arising upon such conversion, as provided in Section 1203. In case any Note of a denomination greater than $1,000 shall be surrendered for partial conversion, the Company shall execute and the Trustee shall register or cause to be registered on the Note Register, and shall authenticate and deliver to or upon the order of the Holder of the Note so surrendered at the expense of the Company, a new Note or Notes in authorized denominations in an aggregate principal amount and accrued but unpaid interest thereon equal to the unconverted portion of the surrendered Note.

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which such Note shall have been surrendered and such Conversion Notice (and any applicable instruments of transfer and any required funds) received by the Company as aforesaid, and the Person or Persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby at such time on such date and such conversion shall be at the Conversion Price in effect at such time on such date, unless the stock transfer books of the Company shall be closed on that date, in which event such Person or Persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such Note shall have been surrendered and such Conversion Notice received by the Company.

SECTION 1202. Mandatory Conversion. If the average closing sale price per share of the Common Stock for any 30 consecutive business day period during the term of the Notes equals or exceeds 135% of the Conversion

Price, the Company may convert the outstanding principal of all of the Notes and all accrued but unpaid interest thereon into that number of fully paid and nonassessable shares of Common Stock (calculated to the nearest 1/100th of a share) obtained by dividing the principal amount of the Notes and, to the extent permitted, all accrued but unpaid interest thereon by the Conversion Price.

In the event the Company elects to exercise its right to convert all of the Notes pursuant to this Section 1202, the Company shall fix a date for conversion (the "Mandatory Conversion Date"), it shall notify the Trustee in writing of such date and it or, at its request, the Trustee, in the name of and at the expense of the Company, shall mail or cause to be mailed a notice of such conversion (a "Notice of Mandatory Conversion") at least 30 but no more than 60 days prior to the Mandatory Conversion Date to the Holders of the Notes at their last addresses as the same appear on the Note Register. Such mailing shall be by first-class mail, postage prepaid. The Notice of Mandatory Conversion shall explain that the outstanding principal of the accrued but unpaid interest on the Notes are to be

converted, and shall specify the Mandatory Conversion Date and the place and the then current Conversion Price at which the Notes are to be converted. Upon receipt of the Mandatory Conversion Notice, each Holder of Notes shall surrender his or its Notes in accordance with such notice and shall, unless the shares issuable on conversion are to be issued in the same name as the name in which such Note is registered, notify the Company of the name or names, together with the address or addresses, in which the certificate or certificates for shares of Common Stock which shall be issuable in such conversion shall be issued. As promptly as practicable after the surrender of such Note, the Company shall issue and deliver to Holder a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such Note in accordance with this Article Twelve and a check or cash in respect of any accrued but unpaid interest not converted and in respect of any fractional interest in a share of Common Stock arising upon conversion, as provided in Section 1203.

SECTION 1203. Cash Payments in Lieu of Fractional Shares. No fractional shares or scrip representing fractions of shares of Common Stock shall be issued upon conversion of the Notes. If more than one Note shall be surrendered for conversion at one time by the same Holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed. on the basis of the aggregate principal amount and accrued but unpaid interest thereon of the Notes, or specified portions thereof to be converted, so surrendered. Instead of any fractional interest in a share of Common Stock which would otherwise be deliverable upon the conversion of any Note or Notes, the Company shall pay to the Holder of such Note an amount in cash (computed to the nearest cent) equal to the Daily Market Price thereof at the close of business on the Business Day next preceding the day of conversion multiplied by

the fractional interest (expressed as a percentage) that otherwise would have been deliverable upon conversion of the Notes.

SECTION 1204. Adjustment of Conversion Price. The Conversion Price shall be as specified in the form of Note set forth in Article Two subject to adjustment as provided below, provided, that, notwithstanding any other provision herein, the Dividend shall in no event cause any adjustment to the Conversion Price.

The Conversion Price shall be adjusted from time to time by the Company as follows:

(a) In case the Company, after the date of this Indenture, shall (i) pay a dividend or make a distribution on its Common Stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares, (iii) combine its outstanding shares of Common Stock into a smaller number of shares, or (iv) issue by reclassification of its Common Stock any

shares of Capital Stock of the Company, the Conversion Price in effect immediately prior to such action shall be adjusted so that the Holder of any Note thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock or other Capital Stock of the Company that it would have owned or been entitled to receive immediately following such action had such Note been converted immediately prior to the occurrence of such event. An adjustment made pursuant to this subsection (a) shall become effective immediately after the record date, in the case of a dividend or distribution, or immediately after the effective date, in the case of a subdivision, combination or reclassification. If as a result of an adjustment made pursuant to this subsection (a), the Holder of any Note thereafter surrendered for conversion shall become entitled to receive shares of two or more classes of Capital Stock or shares of Common Stock and other Capital Stock of the Company, the Board of Directors (whose determination shall be conclusive and shall be described in a statement filed by the Company with the Trustee and with any Conversion Agent as soon as practicable) shall determine the allocation of the adjusted Conversion Price between or among shares of such classes of Capital Stock or shares of Common Stock and other Capital Stock.

(b) In case the Company, after the date of this Indenture, shall issue rights, warrants or options to all holders of its outstanding shares of Common Stock entitling them to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share less than the current market price per share (as determined pursuant to subsection (h) of this Section 1204) of the Common Stock, the Conversion Price in effect immediately prior thereto shall be adjusted so that it shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of such rights, warrants or options by a fraction

of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights, warrants or options (immediately prior to such issuance), plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase (or the aggregate conversion price of the convertible securities so offered for subscription or purchase) would purchase at such current market price, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights, warrants or options (immediately prior to such issuance) plus the number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered for subscription or purchase are convertible). Such adjustment shall be made successively whenever any such rights, warrants or options are issued, and shall become effective

immediately after the record date for the determination of stockholders entitled to receive such rights, warrants or options. In determining whether any rights, warrants or options entitle the holders to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at less than such current market price, and in determining the aggregate offering price of such shares of Common Stock (or conversion price of such convertible securities), there shall be taken into account any consideration received by the Company for such rights, warrants or options (and for such convertible securities), the value of such consideration, if other than cash, to be determined by the Board of Directors (whose determination shall be conclusive and shall be described in a certificate filed with the Trustee and with any Conversion Agent by the Company as soon as practicable). If at the end of the period during which such warrants, rights or options are exercisable not all such warrants, rights or options shall have been exercised, the adjusted Conversion Price shall be immediately readjusted to what it would have been based on the number of additional shares of Common Stock actually issued (or the number of shares of Common Stock issuable upon conversion of convertible securities actually issued).

(c) In case the Company, after the date of this Indenture, shall distribute to all holders of its outstanding Common Stock any shares of Capital Stock (other than Common Stock), evidences of its Indebtedness or assets (including securities and cash, but excluding any cash dividend paid out of current or retained earnings of the Company and dividends or distributions payable in stock for which adjustment is made pursuant to subsection (a) of this Section 1204) or rights, warrants or options to subscribe for or purchase securities of the Company (excluding those referred to in subsection (b) of this Section 1204), then in each such case the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the record date of such distribution by a fraction of which the numerator shall be the current market price per share (as determined pursuant to subsection (h) of this Section 1204) of the Common Stock less the fair market value on such record date (as

determined by the Board of Directors, whose determination shall be conclusive and shall be described in a certificate filed with the Trustee and with any Conversion Agent by the Company as soon as practicable) of the portion of the Capital Stock or the evidences of Indebtedness or the assets so distributed to the holder of one share of Common Stock or of such subscription rights, warrants or options applicable to one share of Common Stock and of which the denominator shall be such current market price per share of Common Stock. Such adjustment shall become effective immediately after the record date for the determination of stockholders entitled

to receive such distribution. If at the end of the period during which warrants, rights or options described in this subsection (c) are exercisable not all such warrants, rights or options shall have been exercised, the adjusted Conversion Price shall be immediately readjusted to what it would have been based on the number of warrants, rights or options actually exercised.

(d) Notwithstanding anything in subsection (b) or (c) of this Section 1204 to the contrary, with respect to any rights, warrants or options covered by subsection (b) or (c) of this Section 1204, if such rights, warrants or options are only exercisable upon the occurrence of certain triggering events, then for purposes of this Section 1204 such rights, warrants or options shall not be deemed issued or distributed, and any adjustment to the Conversion Price required by subsection (b) or (c) of this Section 1204 shall not be made until such triggering events occur and such rights, warrants or options become exercisable.

(e) In case the Company, after the date of this Indenture, shall issue to an Affiliate shares of its Common Stock (excluding those rights, warrants, options, shares of Capital Stock or evidences of its Indebtedness or assets referred to in subsection (b) or (c) to this Section 1204) at a net price per share less than the current market price per share (as determined pursuant to subsection (h) of this Section 1204) on the date the Company fixes the offering price of such additional shares, the Conversion Price shall be reduced immediately thereafter so that it shall equal the price determined by multiplying such Conversion Price in effect immediately prior thereto by a fraction of which the numerator shall be the number of shares of Common Stock, outstanding immediately prior to the issuance of such additional shares plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at the current market price and the denominator shall be the number of shares of Common Stock that would be outstanding immediately after the issuance of such additional shares. Such adjustment shall be made successively whenever such an issuance is made. This subsection (e) shall not apply to Common Stock issued to any Affiliate under a bona fide employee or director benefit plan adopted by the Company or any Subsidiary thereof and approved by the stockholders of the Company or such Subsidiary, as appropriate.

(f) In case the Company, after the date of this Indenture shall, by dividend or otherwise, at any time distribute to all holders of its Common Stock cash (including any cash that is distributed as part of a distribution referred to in subsection (c) of this Section) in an aggregate amount that, together with (i) the aggregate amount of any other distributions to all holders of its

Common Stock made exclusively in cash within the 12 months preceding the date fixed for determining the stockholders entitled to such distribution and in respect of which no Conversion Price adjustment pursuant to this subsection (f) has been made and (ii) the aggregate of any cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), as of such date of determination, of consideration payable in respect of any tender offer by the Company or a Subsidiary for all or any portion of the Common Stock consummated within 12 month s preceding the date fixed for determining the stockholders entitled to such distribution and in respect of which no Conversion Price adjustment pursuant to subsection (g) of this Section has been made, exceeds 10% of the product of the current market price per share (determined as provided in subsection (h) of this Section) on the date fixed for the determination of stockholders entitled to receive such distribution times the number of shares of Common Stock outstanding on such date, the Conversion Price shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the current market price per share (determined as provided in subsection (h) of this Section) on the date fixed for such determination less the amount of cash so distributed at such time applicable to one share of Common Stock and the denominator shall be such current market price, such reduction to become effective immediately prior to the opening of business on the date after the date fixed for such determination.

(g) In case a tender offer made by the Company or any Subsidiary, after the date of this Indenture, for all or any portion of the Common Stock shall be consummated and such tender offer shall involve an aggregate consideration having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) as of the last time (the "Expiration Time") that tenders may be made pursuant to such tender offer (as it may be amended) that, together with (i) aggregate of the cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), as of the consummation of such tender offer, of other consideration paid or payable in respect of any tender offer by the Company or a Subsidiary for all or any portion of the Common Stock consummated within the 12 months preceding the consummation of such tender offer and in respect of which no Conversion Price adjustment pursuant to this subsection (g) has been made and (ii) the aggregate amount of any distributions to all holders of Common Stock made exclusively in cash within the 12 months preceding the consummation of such tender offer and in respect of which no Conversion Price adjustment pursuant to subsection (f) of this Section has been made, exceeds 10% of the product of

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the current market price per share (determined as provided in subsection (h) of this Section) immediately prior to the Expiration Time times the number of shares of Common Stock outstanding (including any tendered shares) at the Expiration Time, the Conversion Price shall be reduced by multiplying the Conversion Price in effect immediately prior to the Expiration Time by a fraction of which the numerator shall be (i) the product of the current market price per share (determined as provided in subsection (h) of this Section) immediately prior to the Expiration Time times the number of shares of Common Stock outstanding (including any tendered shares) at the Expiration Time minus (ii) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders upon consummation of such tender offer (the shares accepted for payment in the tender offer being referred to as the "Purchased Shares") and the denominator shall be the product of (x) such current market price per share times (y) such number of outstanding shares at the Expiration Time minus the number of Purchased Shares, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Time; provided that, if the number of Purchased Shares or the aggregate consideration payable therefor have not been finally determined by such opening of business, the adjustment required by this subsection (g) shall, pending such final determination, be made based upon the preliminary announced results of such tender offer, and, after such final determination shall have been made, the adjustment required by this subsection (g) shall be made based upon the number of Purchased Shares and the aggregate consideration payable therefor as so finally determined.

(h) For the purpose of any computation under subsections (b) through (g) of this Section 1204, the current market price per share of Common Stock on any date shall be deemed to be the average of the Daily Market Prices for the shorter of (i) 30 consecutive Business Days ending on the last full trading day on the exchange or market referred to in determining such Daily Market Prices prior to the Time of Determination or (ii) the period commencing on the date next succeeding the first public announcement of the issuance of such rights or warrants or such distribution through such last full trading day prior to the Time of Determination.

(i) In any case in which this Section 1204 shall require that an adjustment be made immediately following a record date or an effective date, the Company may elect to defer (but only until five Business Days following the filing by the Company with the Trustee and any Conversion Agent of the certificate required by subsection (k) of this Section 1204) issuing to the Holder of any Note converted after such record date or effective date the shares of Common Stock issuable upon such conversion over and above

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the shares of Common Stock issuable upon such conversion on the basis of the Conversion Price prior to adjustment, and paying to such Holder any amount of

cash in lieu of a fractional share.

(j) No adjustment in the Conversion Price shall be required to be made unless such adjustment would require an increase or decrease of at least l% in such price; provided, however, that any adjustments which by reason of this subsection (j) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 1204 shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be. No adjustment to the Conversion Price need be made if only the par value of the Common Stock is changed (including any change to no par value Common Stock). To the extent that the Notes become convertible into cash, no adjustment need be made thereafter as to such cash and interest will not accrue on such cash. Anything in this Section 1204 to the contrary notwithstanding, the Company shall be entitled to make such reduction in the Conversion Price, in addition to those required by this Section 1204, as it in its discretion shall determine to be advisable in order that any stock dividend, subdivision of shares, distribution of rights to purchase stock or securities, or distribution of securities convertible into or exchangeable for stock hereafter made by the Company to its stockholders shall not be taxable to the recipients.

(k) Whenever the Conversion Price is adjusted as herein provided, (i) the Company shall promptly file with the Trustee and any Conversion Agent other than the Trustee an Officers' Certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the manner of computing the same, which certificate shall be conclusive evidence of the correctness of such adjustment, and (ii) a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall forthwith be given by the Company to the Holders of Notes in the manner provided in Section 106. The Company may correct any previous certificate and notice given pursuant to this subsection (k) by (i) promptly filing with the Trustee and any Conversion Agent other than the Trustee a new certificate in the form required by this subsection (k) and (ii) giving a new notice to the Holders of Notes in the form and manner required by this subsection (k). Such new certificate and notice shall state that such certificate and notice are being provided to correct the previous certificate and notice. Except as otherwise provided in Section 601, neither the Trustee nor any Conversion Agent shall be under any duty or responsibility with respect to the certificate required by this subsection (k) except to exhibit the same to any Holder of Notes who requests to

inspect it. The certificate requirement by this subsection (k) shall be filed at each office or agency maintained for the purposes of conversion of Notes pursuant to Section 1002.

(1) In the event that at any time, as a result of an adjustment made pursuant to subsection (a) of this Section 1204, the

Holder of any Note thereafter surrendered for conversion shall become entitled to receive any shares of the Company other than shares of Common Stock, thereafter the Conversion Price of such other shares so receivable upon conversion of any Note shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in this Article Twelve and the other provisions of this Article Twelve applicable to Common Stock shall apply to such other shares.

SECTION 1205. Notice to Holders Prior to Certain Corporate Actions. In case:

(a) the Company shall take any action that would require an adjustment in the Conversion Price pursuant to Section 1204(c); or

(b) the Company shall authorize the granting to the holders of its Common Stock generally of rights, warrants or options to subscribe for or purchase any shares of stock of any class or of any other rights (other than pursuant to the BEC Group, Inc. 1996 Stock Incentive Plan or the BEC Group, Inc. Employee Stock Purchase Plan); or

(c) there shall be any reorganization or reclassification of the Common Stock (other than a subdivision or combination of the outstanding Common Stock and other than a change in the par value of the Common Stock), or any consolidation or merger to which the Company is a party, or any conveyance, transfer, sale or lease of the Company's properties and assets as, or substantially as, an entirety; or

(d) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be filed with the Trustee and any Conversion Agent, and shall cause to be given to the Holders of Notes, in the manner provided in Section 106, as promptly as possible, but in any event at least 10 days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record is to be taken for the purpose of such dividend, or distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such distribution or rights are to be determined, or (ii) the date on which such reorganization, reclassification, consolidation, merger, conveyance, transfer,

sale, lease, dissolution, liquidation or winding up is expected to become effective or occur, and, if applicable, the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reorganization, reclassification, consolidation, merger, conveyance, transfer, sale, lease, liquidation or winding up. Failure to give such notice or any defect therein shall not affect the legality or validity of the

proceedings described in subsection (a), (b), (c) or (d) of this Section 1205.

SECTION 1206. Reservation of Shares of Common Stock. The Company shall at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversions of Notes, the full number of shares of Common Stock deliverable upon the conversion of all Outstanding Notes not theretofore converted.

Before taking any action that would cause an adjustment reducing the Conversion Price below the then par value (if any) of the shares of Common Stock deliverable upon conversion of the Notes, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Conversion Price.

SECTION 1207. Taxes upon Conversion. The Company shall pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of Notes pursuant hereto; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the Holder of the Note or Notes to be converted and no such issue or delivery shall be made unless and until the Person requesting such issue or delivery has paid to the Company the amount of any such tax or has established to the satisfaction of the Company that such tax has been paid.

SECTION 1208. Covenants as to Common Stock. The Company covenants that all shares of Common Stock which may be delivered upon conversions of Notes will upon delivery be duly and validly issued and fully paid and nonassessable, free of all Liens and charges and not subject to any preemptive rights.

The company further covenants that, for so long as the Common Stock shall be listed on any national securities exchange, the Company will, if permitted by the rules of such exchange,

list and keep listed all Common Stock issuable upon conversion of the Notes.

SECTION 1209. Consolidation or Merger or Sale of Assets. Notwithstanding any other provision herein to the contrary, in case of any consolidation or merger to which the Company is a party (other than a merger or consolidation which does not result in any reclassification, conversion, exchange or cancellation of the outstanding shares of Common Stock of the Company), or in case of any conveyance, transfer, sale or lease to another corporation of the properties and assets of the Company as, or substantially

as, an entirety, the corporation formed by such consolidation, or the corporation whose securities, cash or other property will immediately after the merger or consolidation be owned, by virtue of the merger or consolidation, by the holders of Common Stock of the Company immediately prior to the merger or the corporation which shall have acquired such properties and assets of the Company, as the case may be, shall promptly execute and deliver to the Trustee a supplemental indenture providing that the Holder of each Note then outstanding shall have the right thereafter to convert such Note, during the period such Note is convertible as specified in this Article Twelve, into the kind and amount of securities, cash or other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease by a holder of the number of shares of Common Stock into which such Note might have been converted immediately prior to such consolidation, merger, conveyance, transfer, sale or lease, assuming such holder of Common Stock (i) is not a Person with which the Company consolidated or into which the Company merged or was merged or to which such conveyance, transfer, sale or lease was made or an Affiliate of such Person and (ii) did not exercise statutory rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease (provided that, if the kind or amount of securities, cash or other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease is not the same for each share of Common Stock in respect of which such rights of election shall not have been exercised ("non-electing share"), then for the purposes of this Section 1209 the kind and amount of securities, cash or other property receivable upon such consolidation, merger, conveyance, transfer, sale or lease for each non-electing share shall be deemed to be the kind and amount so receivable per share by the holders of a plurality of the nonelecting shares). Such supplemental indenture shall provide for adjustments which, for events subsequent to the effective date of such supplemental indenture, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article Twelve in relation to any shares of stock or other securities or property thereafter deliverable on the conversion of the Notes.

The above provisions of this Section 1209 shall similarly apply to successive consolidations, mergers, conveyances, transfers, sales or leases.

The Company shall give notice of the execution of such a supplemental indenture to the Holders of Notes in the manner provided in Section 106 within 30 days after the execution thereof; provided, however, that such notice need not be given if such information has been provided prospectively in the notice given pursuant to Section 1205. Failure to give such notice, or any defects therein, shall not affect the legality or validity of any such supplemental indenture or any transaction contemplated in this Section 1209.

SECTION 1210. Disclaimer of Responsibility for Certain Matters.

Neither the Trustee nor any Conversion Agent shall at any time be under any duty or responsibility to any Holder of Notes to determine whether any facts exist which may require any adjustment of the Conversion Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. Neither the Trustee nor any Conversion Agent shall be accountable with respect to the listing or registration referred to in section 1208 or the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities, cash or other property, which may at any time be issued or delivered upon the conversion of any Note; and neither the Trustee nor any Conversion Agent makes any representation with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property or to make any cash payment upon the surrender of any Note for the purpose of conversion or, subject to the provisions of Section 601, to comply with any of the covenants of the Company contained in this Article Twelve.

SECTION 1211. Cancellation of Converted Notes. All Notes delivered for conversion shall be delivered to the Trustee to be canceled by or at the direction of the Trustee, which shall dispose of the same as provided in Section 309.

SECTION 1212. Voluntary Reduction. The Company from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least 20 days or such longer period as may be required by law and if the reduction is irrevocable during such period.

ARTICLE THIRTEEN

Subordination of Notes

SECTION 1301. Notes Subordinated to Senior Indebtedness. The Company, for itself, its successors and assigns, covenants and agrees, and each Holder of a Note (whether upon original issue or upon transfer of assignment thereof) by his acceptance thereof, likewise covenants and agrees, that all notes issued hereunder shall be subordinated and subject, to the

extent and in the manner herein set forth, to the prior payment in full of all Senior Indebtedness. The provisions of this Article are made for the benefit of all holders of Senior Indebtedness, and any such holder may proceed to enforce such provisions.

SECTION 1302. Company Not To Make Payments with Respect to Notes in Certain Circumstances.

(a) Upon the maturity of any Senior Indebtedness by lapse of time, acceleration or otherwise, all principal thereof, premium, if any,

and interest thereon shall be paid in full, or such payment duly provided for in a manner satisfactory to the holders of such Senior Indebtedness, before any payment is made on account of the principal of or premium, if any, or interest on the Notes or to acquire any of the Notes (except through the conversion thereof).

(b) Upon the happening of any default in payment of the principal of, premium, if any, or interest on any Senior Indebtedness, then, unless and until such default shall have been cured or waived or shall have ceased to exist, no payment shall be made by the Company with respect to the principal of or premium, if any, or interest on the Notes or to acquire any of the Notes (except through the conversion thereof). Nothing in this Article, however, shall relieve the holders of such Senior Indebtedness or their representative from any notice requirements set forth in the instrument evidencing such Senior Indebtedness.

(c) Upon the happening and continuation of any default in respect of Senior Indebtedness other than a default described in clause (b) of this Section 1302, no payment shall be made by the Company with respect to the principal of or premium, if any, or interest on the Notes for a period beginning on the date the Company receives notice of such default and ending on the date which is 179 days thereafter.

(d) In the event that notwithstanding the provisions of this Section 1302 the Company shall make any payment to the Trustee on account of the principal of or interest on the Notes, after the happening of a default in payment of the principal of, premium, if any, or interest on Senior Indebtedness, then, unless and until such default shall have been cured or waived or shall have ceased to exist, such payment (subject to the provisions of Section 1306) shall be held by the Trustee, in trust for the benefit of, and shall be paid forthwith over and delivered to, the holders of Senior Indebtedness (pro rata as to each of such holders on the basis of the respective amounts of Senior Indebtedness held by them) or their representative or the trustee 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 Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness. The Company shall give prompt written notice to the Trustee of any default in respect of any Senior Indebtedness.

SECTION 1303. Notes Subordinated to Prior Payment of All Senior Indebtedness on Dissolution, Liquidation or Reorganization of Company. Upon any payment or distribution of assets of the Company upon any dissolution,

winding up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise):

(a) the holders of all Senior Indebtedness shall first be entitled to receive payments in full of the principal thereof, premium, if any, and interest due thereon before the Holders of the Notes are entitled to receive any payment on account of the principal of or interest on the Notes;

(b) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Notes or the Trustee on behalf of the Holders of the Notes would be entitled except for the provisions of this Article Thirteen, shall be paid by the liquidating trustee or agent or other Person making such payment or distribution directly to the holders of Senior Indebtedness or their representative, or to the trustee under any indenture under which Senior Indebtedness may have been issued (pro rata as to each such holder, representative or trustee on the basis of the respective amounts of unpaid Senior Indebtedness held or represented by each), to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness, except that Holders of Notes may receive shares of stock and any debt securities that are subordinated to Senior Indebtedness to at least the same extent as the Notes and that are provided for by a plan of reorganization or readjustment; and

(c) in the event that, notwithstanding the foregoing provisions of this Section 1303, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (except for shares of stock and other debt securities that are subordinated to Senior Indebtedness to at least the same extent as the Notes and that are provided for by a plan of reorganization or readjustment), shall be received by the Trustee or the Holders of the Notes on account of principal of or interest on the Notes before all Senior Indebtedness is paid in full,

or effective provision made for its payment, such payment or distribution (subject to the provisions of sections 1306 and 1307) shall be received and held in trust for and shall be paid over to the holders of the Senior Indebtedness remaining unpaid or unprovided for or their representative, or to the trustee under any indenture under which Senior Indebtedness may have been issued (pro rata as provided in subsection (b) above), for application to the payment of such Senior Indebtedness until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness.

Upon any payment or distribution of assets of the Company referred to in this Article Thirteen, the Trustee and the Holders shall be entitled to rely (i) upon any order or decree of a court of competent jurisdiction in which any proceedings of the nature referred to in this Section are pending, (ii) upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders, or (iii) upon the representative of the holders of the Senior Indebtedness 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 Thirteen. In the event that the Trustee determines, in good faith, that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article Thirteen, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution, and other facts pertinent to the rights of such Person under this Article Thirteen, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

The Company shall give prompt written notice to the Trustee of any dissolution, winding up, liquidation or reorganization of the Company.

SECTION 1304. Noteholders To Be Subrogated to Right of Holders of Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness, the Holders of the Notes shall be subrogated equally and ratably to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Company applicable to the Senior Indebtedness until all amounts owing on the Notes shall be paid in full, and for the purpose of such subrogation no payments or distribution to the holders of the Senior Indebtedness by or on behalf of the Company

or by or on behalf of the Holders of the Notes by virtue of this Article Thirteen which otherwise would have been made to the Holders of the Notes shall, as between the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Notes, be deemed to be payment by the Company to or on account of the Senior Indebtedness, it being understood that the provisions of this Article Thirteen are and are intended solely for the purpose of defining the relative rights of the Holders of the Notes, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

SECTION 1305. Obligation of the Company Unconditional. Nothing contained in this Article Thirteen or elsewhere in this Indenture or in any Note is intended to or shall impair, as between the Company, its creditors

other than holders of Senior Indebtedness and the Holders of the Notes, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Notes the principal of and premium, if any, and interest on the Notes as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Notes and creditors of the Company other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the Holder of any Note from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article Thirteen of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Nothing contained in this Article Thirteen or elsewhere in this Indenture or in any Note is intended to or shall affect the obligation of the Company to make, or prevent the Company from making, at any time except during the pendency of any dissolution, winding up, liquidation or reorganization proceeding, and except as provided in Section 1302, payments at any time of the principal of, premium, if any, or interest on the Notes .

SECTION 1306. Trustee Entitled To Assume Payments Not Prohibited in Absence of Notice. Notwithstanding the provisions of this Article or any other provision of this Indenture, but subject to the provisions of Section 601, the Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee, unless and until the Trustee shall have received written notice thereof from the Company or from one or more holders of Senior Indebtedness or from any representative thereof or from any trustee therefor; and, prior to the receipt of any such written notice, the Trustee shall be entitled to assume conclusively that no such facts exist.

SECTION 1307. Application by Trustee of Monies Deposited with It. Except as provided in Article Four, any

deposit of monies by the Company with the Trustee (whether or not in trust) for payment of the principal of or premium, if any, or interest on any Notes shall be subject to the provisions of Sections 1301, 1302, 1303 and 1304 except that, if prior to the second Business Day preceding the date on which by the terms of this Indenture any such monies may become payable for any purpose (including, without limitation, the payment of either the principal of or premium, if any, or the interest on any Note) the Trustee shall not have received with respect to such monies the notice provided for in Section 1306, then the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such date. This Section 1307 shall be construed solely for the benefit of the Trustee and any Paying Agent and shall not otherwise affect the rights of any holder of such Senior Indebtedness.

SECTION 1308. Subordination Rights Not Impaired by Acts or Omissions of Company or Holders of Senior Indebtedness. No right of any present or future holders of any Senior Indebtedness to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms of this Indenture, regardless of any knowledge thereof with which any such holder may have or be otherwise charged.

SECTION 1309. Noteholders Authorize Trustee To Effectuate Subordination of Notes. Each Holder of the Notes by acceptance thereof authorizes and expressly directs the Trustee on behalf of such Holder to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article Thirteen and appoints the Trustee his attorney-in-fact for any and all such purposes.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article Thirteen, 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 owe any fiduciary duty to the holders of Senior Indebtedness and, subject to the provisions of section 601, the Trustee shall not be liable to any holder of Senior Indebtedness if it shall mistakenly pay over or deliver to Holders, the Company or any other Person monies or assets to which any holder of Senior Indebtedness shall be entitled by virtue of this Article Thirteen or otherwise.

SECTION 1310. Right of Trustee To Hold Senior Indebtedness; Compensation Not Prejudiced. The Trustee shall be entitled to all of the rights set forth in this Article Thirteen

in respect of any Senior Indebtedness at any time held by it to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall be construed to deprive the Trustee of any of its rights as such holder. Nothing in this Article Thirteen shall apply to claims of or payments to the Trustee pursuant to Section 607.

SECTION 1311. Article Thirteen Not To Prevent Events of Default. The failure to make a payment on account of principal or interest by reason of any provision in this Article Thirteen shall not be construed as preventing the occurrence of an Event of Default under Section 501.

SECTION 1312. Article Applicable to Paying Agent. In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context shall otherwise require) be

construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or place of the Trustee; provided, however, that Section 1306 and 1310 shall not apply to the Company or any Affiliate of the Company if the Company or such Affiliate acts as Paying Agent.

ARTICLE FOURTEEN

Immunity of Incorporators, Stockholders, Officers and Directors

SECTION 1401. Indenture and Notes Solely Corporate Obligations. No recourse for the payment of the principal of or premium, if any, or interest on any Note, or for any claim based therein or contained in this Indenture or in any supplemental indenture, or in any Note, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Note.

ARTICLE FIFTEEN

Purchase by Company at the Option of Holders upon the Occurrence of a Change of Control

SECTION 1501. Right of Holders upon the Occurrence of a Change of Control. In the event that a Change of Control

occurs, each Holder of any Note shall have the right, at the Holder's option, and subject to the conditions of this Article Fifteen and the provisions of Article Thirteen, to require the Company to Purchase for cash all or any part (which shall be $1,000 or a whole multiple thereof) of such Holder's Notes, on the date (the "Purchase Date") that is the first Business Day that is 40 or more days after the mailing by the Company of the notice that a Change of Control has occurred (a "Change of Control Notice"), at 101% of the principal amount thereof, plus interest accrued and unpaid to the Purchase Date (provided that, if the Purchase Date is on or subsequent to a date on which interest is otherwise payable on the Notes, such interest shall be payable to the Holders of the Notes as of the applicable Regular Record Date or Special Record Date for such interest payment).

SECTION 1502. Change of Control Notice. Unless the Company shall theretofore have called for redemption all of the Notes pursuant to this

Indenture, within 20 days after a Change of Control has occurred (or, in the case of a Change of Control referred to in clause (c) of the definition thereof, 20 days after the Company has notice of such event), the Company or, at the option of the Company, the Trustee (in the name and at the expense of the Company) shall mail, by first-class mail, postage prepaid, to the Trustee and each Holder of Notes a Change of Control Notice (provided that the running of such 20-day period shall be suspended during any period when the delivery of the Change of Control Notice is delayed or suspended by reason of any court's or governmental authority's review of or ruling on any materials being employed by the Company to effect such purchase, so long as the Company has used and continues to use its best efforts to make and conclude promptly such purchase). Such Change of Control Notice shall state:

(1) the circumstances and relevant facts regarding such Change of Control which the Company in good faith believes will enable Holders to make an informed decision (which at a minimum will include information with respect to pro forma historical income, cash flow and capitalization, each after giving effect to such Change of Control), the event causing such Change of Control (specifying such event) and the date of such Change of Control;

(2) the Purchase Date;

(3) the purchase price for the Notes;

(4) that Holders who want to exercise their right to cause Notes to be purchased by the Company on the Purchase Date must deliver to the Company (or the Paying Agent designated by the Company for such purpose in such notice) prior to the close of business five Business Days prior to the Purchase Date an exercise notice satisfying the requirements described in the Notes and in Section 1503 (a

"Change of Control Exercise Notice"), together with the Notes with respect to which the right is being exercised, duly endorsed for transfer;

(5) the Conversion Price and any adjustments thereto;

(6) that a Change of Control Exercise Notice may be revoked as described in Section 1504 and that the Notes (or portions thereof) with respect to which a Change of Control Exercise Notice has been given may be converted into Common Stock only if the Change of Control Exercise Notice is so withdrawn or the Company defaults in its obligation to purchase the Note on the Purchase Date; and

(7) that interest on Notes (or portions thereof) with respect to which the right is exercised shall cease to accrue from and after the Purchase Date (unless the Company defaults in its obligation to purchase

the Note on the Purchase Date).

Neither the failure to mail such Change of Control Notice, nor any defect in any such notice so mailed, to any particular Holders of Notes shall affect the sufficiency of such notice with respect to other Holders of Notes. The Company also shall deliver a copy of such Change of Control Notice to the Trustee and shall cause a copy of such Change of Control Notice to be published in a newspaper of national circulation, which shall be The Wall Street Journal unless it is not then so circulated; provided however, that the copy of such Change of Control Notice to be published may omit the pro forma statements and other information otherwise required by the first clause of paragraph (1) of Section 1502.

If any of the foregoing provisions violates any applicable law, applicable law shall govern.

SECTION 1503. Change of Control Exercise Notice. For a Holder to exercise the right to cause the Company to purchase a Note after a Change of Control, such Holder must deliver to the Company (or any Paying Agent designated by the Company for such purpose in a Change of Control Notice) (a) a Change of Control Exercise Notice which shall state that the Holder is electing thereby to exercise his right to cause the Company to purchase his Note or Notes and shall identify (i) the name of the Holder, (ii) any Notes with respect to which the right is being exercised and (iii) the principal amount thereof (which amount must be $1,000 or an integral multiple thereof) and (b) any Notes with respect to which the right is being exercised, duly endorsed for transfer.

Such Change of Control Exercise Notice and any such Notes must be delivered no later than, and the right of Holders to exercise the purchase right will terminate as of, the close of business five Business Days prior to the Purchase Date and the

Company will not be obligated to purchase any Notes presented and surrendered from and after such time.

SECTION 1504. Effect of Exercise and Other Matters. With respect to each Note (or portion thereof) that has been duly surrendered and tendered and as to which a Change of Control Exercise Notice has been given (and not withdrawn as described below), such Note (or portion thereof) shall become due and payable on the Purchase Date. Subject to Article Thirteen and Section 1501, such Note (or portion thereof) shall be purchased by the Company at the purchase price specified in section 1501, including the accrued interest specified thereon. Interest on such Note (or portion thereof) shall cease to accrue from and after the Purchase Date (unless the Company defaults in the payment of any such Note at the purchase price, together with interest accrued thereon to the Purchase Date).

A Change of Control Exercise Notice may be withdrawn by means of a written notice of withdrawal delivered to the Company (or any Paying Agent designated by the Company for such purpose in a Change of Control Notice) at any time prior to the close of business three Business Days prior to the Purchase Date (or if the Company defaults in its obligation to purchase Notes on the Purchase Date), which withdrawal shall:

(1) identify any Notes with respect to which such notice of withdrawal is being submitted and the principal amount thereof (which amount must be $1,000 or an integral multiple thereof); and

(2) identify any Notes which remain subject to the original Change of Control Exercise Notice and which have been delivered for purchase by the Company and the principal amount thereof (which amount must be $1,000 or an integral multiple thereof).

There shall be no purchase of any Notes pursuant to this Article Fifteen if there has occurred (prior to, on or after the giving, by the Holders of such Notes, of the required Change of Control Exercise Notice) and is continuing an Event of Default (other than a default in the payment of the purchase price or any other default in the obligations of the Company under this Article Fifteen). The failure of the Company to purchase any Notes on the applicable due date by reason of the foregoing sentence shall not be construed as preventing the occurrence of a default or Event of Default under Section 501.

If a Note is to be purchased in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof without charge, after the purchase of the relevant part, a new Note or Notes in authorized denominations in aggregate principal amount equal to the portion of the Note not purchased.

If any Note delivered with a Change of Control Exercise Notice is not purchased on the Purchase Date, the principal and premium, if any, shall, until paid or duly provided for, bear interest, to the extent permitted by applicable law, from the Purchase Date at the rate borne by the Note and such Note shall remain convertible into Common Stock until the principal and premium, if any, and accrued but unpaid interest thereon shall have been paid or duly provided for.

In connection with any purchase of Notes under this Article Fifteen, the Company shall, to the extent then applicable, (i) comply with Rules 13e-4 and 14e-1 and any other tender offer rules under the Exchange Act, (ii) file the related Schedule 13E-4 or any other schedule required under the Exchange Act and (iii) otherwise comply with all Federal and State securities laws so as to permit the rights and obligations under this Article Fifteen to be exercised in time and in the manner specified in this Article Fifteen.

IBJ Schroder Bank & Trust Company hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective seals to be hereunto fixed and attested, all as of the day and year first above written.

SEC GROUP, INC.,

By: /s/ MARTIN E. FRANKLIN

Name: Martin E. Franklin
Title: Chairman and Chief Executive Officer

Attest:

/s/ DESIREE DESTEFANO

Name: Desiree DeStefano
Title: Vice President

IBJ SCHRODER BANK & TRUST COMPANY

By:

Name:
Title:

Attest:

Name:
Title:

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective seals to be hereunto fixed and attested, all as of the day and year first above written.

BEC GROUP, INC.,

By:

Name: Martin E. Franklin
Title: Chairman and Chief Executive Officer

Attest:

Name: Desiree DeStefano
Title: Vice President

IBJ SCHRODER BANK & TRUST COMPANY

By: /s/ MAX VOLMAR

Name: Max Volmar
Title: Vice President

Attest:

/s/ SUSAN LAVELLE

Name: Susan Lavelle
Title: Assistant Secretary

EXHIBIT 12

BEC GROUP, INC.

Computation of Ratio of Earnings to Fixed Charges

<TABLE>
<CAPTION>

	Year ended December 31,					Nine months ended September 30,	
	1991	1992	1993	1994	1995	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income (loss) from continuing operations before income taxes	91	(2,070)	(1,136)	707	(2,711)	(1,038)	6,655
Adjustment for undistributed equity income (loss)	0	0	0	(500)	525	0	825
Adjusted Income (loss) from continuing operations before income taxes	91	(2,070)	(1,136)	1,207	(3,236)	(1,038)	5,830
Fixed charges:							
Interest expense	540	719	1,274	4,725	10,931	8,353	5,802
Interest inherent in rent expense	0	0	0	1,452	131	116	50
	540	719	1,274	6,177	11,062	8,469	5,852
Adjusted Income (loss) from continuing operations before income taxes and fixed charges	631	(1,351)	138	7,384	7,826	7,431	11,682
Ratio of earnings to fixed charges	1.2	-- (A)	0.11(B)	1.20	0.71 (B)	0.88 (B)	2.00

</TABLE>

(A) As a result of the loss incurred during the period, the Company was unable to fully cover the indicated fixed charges.

(B) Earnings were inadequate to cover fixed charges for the years ended December 31, 1993 and 1995 and for the nine months ended September 30, 1995 by $1,138, $3,236 and $1,038, respectively.

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 of BEC Group, Inc. of our report dated March 8, 1996, except as to Notes 2 and 10 which are as of May 3, 1996, relating to the consolidated financial statements of BEC Group, Inc., which report appears in the Current Form 8-K of BEC Group, Inc. dated June 7, 1996. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ PRICE WATERHOUSE LLP

PRICE WATERHOUSE LLP

Dallas, Texas
December 27, 1996

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CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement on Form S-3 of BEC Group, Inc. of our report dated January 20, 1995, with respect to the balance sheets of Bolle America, Inc. as of December 31, 1994 and 1993, and the related statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1994, which report appears in the Current Report on Form 8-K of BEC Group, Inc. dated June 7, 1996 and to the reference to our firm under the heading "Experts" in the Prospectus.

/s/ KPMG Peat Marwick LLP

KPMG Peat Marwick LLP

Denver, Colorado
December 27, 1996