UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended August 2, 2003

Commission File Number 0-15898

CASUAL MALE RETAIL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**04-2623104**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
555 Turnpike Street, Canton, MA	**02021**
(Address of principal executive offices)	**(Zip Code)**

(781) 828-9300
(Registrant's telephone number, including area code)

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

Indicate by "X" whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of common stock outstanding as of September 12, 2003 was 35,948,695.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

CASUAL MALE RETAIL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
August 2, 2003 and February 1, 2003
(In thousands, except share data)

	August 2, 2003 (unaudited)	February 1, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,322	$ 4,692
Accounts receivable	3,840	6.989
Inventories	100,910	103,222
Prepaid expenses	10,282	2,700
Total current assets	119,354	117,603
Property and equipment, net of accumulated depreciation and amortization	66,267	64,062
Other assets:		
Goodwill	50,677	50,698
Intangible assets	30,679	30,729
Other assets	4,045	3,853
Total assets	$ 271,022	$ 266,945
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 3,675	$ 2,940
Accounts payable	36,202	33,902
Accrued expenses and other current liabilities	20,293	24,338
Accrued liabilities for severance and store closings	5,361	6,172
Total current liabilities	65,531	67,352
Long-term liabilities:		
Notes payable	50,314	55,579
Long-term debt, net of current portion	60,054	50,996
Other long-term liabilities	949	933
Total long-term liabilities	111,317	107,508
Total liabilities	176,848	174,860
Minority interest	3,127	1,018
Stockholders' equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, none outstanding at August 2, 2003 and February 1, 2003	—	—
Common stock, $0.01 par value, 75,000,000 shares authorized, 39,085,133 and 38,867,000 shares issued at August 2, 2003 and February 1, 2003, respectively	391	389
Additional paid-in capital	149,003	146,892
Accumulated deficit	(46,201)	(44,104)
Treasury stock at cost, 3,171,930 and 3,119,236 shares at August 2, 2003 and February 1, 2003, respectively	(9,146)	(8,913)
Loan to executive	—	(197)
Accumulated other comprehensive loss	(3,000)	(3,000)
Total stockholders' equity	91,047	91,067
Total liabilities and stockholders' equity	$ 271,022	$ 266,945

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

CASUAL MALE RETAIL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	August 2, 2003	August 3, 2002	August 2, 2003	August 3, 2002
Sales	$ 112,034	$ 110,016	$ 211,500	$ 141,987
Cost of goods sold, including occupancy	71,915	71,922	136,013	96,703
Gross profit	40,119	38,094	75,487	45,284
Expenses:				
Selling, general and administrative	34,207	32,723	67,330	40,764
Provision for impairment of assets, store closings and severance	—	7,250	—	7,250
Depreciation and amortization	2,206	2,801	4,268	4,062
Total expenses	36,413	42,774	71,598	52,076
Operating income (loss)	3,706	(4,680)	3,889	(6,792)
Interest expense, net	2,976	2,706	5,861	3,060
Income (loss) from continuing operations before minority interest and income taxes	730	(7,386)	(1,972)	(9,852)
Less:				
Minority interest	(20)	—	(92)	—
Provision for income taxes	—	1,053	—	—
Income (loss) from continuing operations	750	(8,439)	(1,880)	(9,852)
Loss from discontinued operations	(92)	(4,476)	(217)	(4,858)
Net income (loss)	$ 658	$ (12,915)	$ (2,097)	$ (14,710)
Net income (loss) per share—basic and diluted				
Income (loss) from continuing operations	$ 0.02	$ (0.52)	$ (0.05)	$ (0.64)
Loss from discontinued operations	(0.00)	(0.28)	(0.01)	(0.31)
Net income (loss)	$ 0.02	$ (0.80)	$ (0.06)	$ (0.95)
Weighted average number of common shares outstanding				
—Basic	35,839	16,050	35,796	15,421
—Diluted	36,891	16,050	35,796	15,421

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

CASUAL MALE RETAIL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands and unaudited)

	Six Months Ended	
	August 2, 2003	**August 3, 2002**
Cash flows from operating activities:		
Net loss	$ (2,097)	$ (14,710)
Adjustments to reconcile net loss to net cash used for operating activities:		
Loss from discontinued operations	217	4,858
Depreciation and amortization	4,268	4,062
Provision for store closings, impairment of assets and severance	—	7,250
Accretion of warrants	831	—
Issuance of common stock to related party	340	—
Issuance of common stock to Board of Directors	38	34
Minority interest	(92)	—
Gain on sale or disposal of fixed assets	—	34
Changes in operating assets and liabilities:		
Accounts receivable	3,149	(4,193)
Inventories	6,278	(5,994)
Prepaid expenses	(7,582)	(767)
Other assets	(179)	(2,073)
Reserve for severance and store closings	(811)	—
Accounts payable	2,300	9,518
Accrued expenses and other current liabilities	(4,109)	(3,610)
Net cash provided by (used for) operating activities	2,551	(5,591)
Cash flows from investing activities:		
Acquisition of Casual Male, net of cash acquired	—	(160,808)
Additions to property and equipment	(6,016)	(3,155)
Net cash used for investing activities	(6,016)	(163,963)
Cash flows from financing activities:		
Net (repayments) borrowings under credit facility	(5,265)	42,369
Net principal payments on long-term debt	(1,001)	—
Proceeds from issuance of long term debt, net of discount	9,564	41,057
Proceeds from issuance of warrants	1,447	9,589
Proceeds from issuance of Series B preferred stock	—	76,569
Proceeds from issuance of common stock	—	5,862
Payment of equity transaction costs	—	(2,591)
Payments to minority equityholder of joint venture	(1,902)	—
Repurchase of common stock	(36)	—
Issuance of common stock under option program	288	119
Net cash provided by financing activities	3,095	172,974
Net change in cash and cash equivalents	(370)	3,420
Cash and cash equivalents:		
Beginning of the period	4,692	—
End of the period	$ 4,322	$ 3,420

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

CASUAL MALE RETAIL GROUP, INC,
Notes to Consolidated Financial Statements

1. Basis of Presentation

In the opinion of management of Casual Male Retail Group, Inc., a Delaware corporation formerly known as Designs, Inc. (the "Company"), the accompanying unaudited consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial statements. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with the notes to the Company's audited consolidated financial statements for the fiscal year ended February 1, 2003 (included in the Company's Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on May 5, 2003).

The interim financial statements contain the results of operations of the Company's Casual Male business, which consists of substantially all of the assets of Casual Male Corp. and certain of its subsidiaries ("Casual Male"), which assets were acquired by the Company on May 14, 2002. For a complete description of the Casual Male acquisition, see Note 2 below.

The information set forth in these statements may be subject to normal year-end adjustments. The information reflects all adjustments that, in the opinion of management, are necessary to present fairly the Company's results of operations, financial position and cash flows for the periods indicated. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's business historically has been seasonal in nature, and the results of the interim periods presented are not necessarily indicative of the results to be expected for the full year.

Certain amounts for the three and six months ended August 3, 2002 have been reclassified to conform to the presentation for the three and six months ended August 2, 2003. These adjustments relate to the reclassification for discontinued operations in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). For further discussion regarding discontinued operations, see Note 6 below.

The Company's fiscal year is a 52- or 53- week period ending on the Saturday closest to January 31. Fiscal 2004, is a 52- week period ending on January 31, 2004.

2. Casual Male Acquisition

On May 14, 2002, pursuant to an asset purchase agreement entered into as of May 2, 2002, the Company completed the acquisition of Casual Male for a purchase price of approximately $170 million, plus the assumption of certain operating liabilities. The Company was selected as the highest and best bidder for the acquired Casual Male assets at a bankruptcy court ordered auction commencing on May 1, 2002 and concluding on May 2, 2002. The U.S. Bankruptcy Court for the Southern District of New York subsequently granted its approval of the acquisition on May 7, 2002.

Casual Male, which was a leading independent specialty retailer of fashion, casual and dress apparel for big and tall men, had annual sales that exceeded $350 million. Casual Male sold its branded merchandise through various channels of distribution including full price and outlet retail stores, direct mail and the internet. Casual Male had been operating under the protection of the U.S. Bankruptcy Court since May 2001.

Under the terms of the asset purchase agreement, the Company acquired substantially all of Casual Male's assets, including, but not limited to, the inventory and fixed assets of approximately 475 retail store locations and various intellectual property. In addition, the Company assumed certain operating liabilities, including, but not limited to, existing retail store lease arrangements and the existing mortgage for Casual Male's corporate headquarters located in Canton, Massachusetts.

In view of the significance of the Casual Male acquisition to the growth and future identity of the Company, at the Annual Meeting of Stockholders held on August 8, 2002, the Company's stockholders approved the Board of Directors' recommendation to change the Company's name from "Designs, Inc." to "Casual Male Retail Group, Inc." The Company believes that the Casual Male business will be a primary future contributor to the Company's overall business and that the name change was an important step to align the customer and investor identification of the Company with the Casual Male store concept. For the same reason, certain pro forma financial information for the Casual Male business is included below as if the Company had acquired the business on February 3, 2002.

The allocation of the Casual Male purchase price as disclosed by the Company for the fourth quarter of fiscal 2003 and for the fiscal year ended February 1, 2003 has been adjusted to reflect the final adjustments to certain asset valuations, which were revised during the first half of fiscal 2004. The final allocation of purchase price as of May 14, 2003 was as follows:

	Debit (Credit) ***(in thousands)***
Cash and cash equivalents	$ 193
Accounts receivable	1,398
Merchandise inventory	70,968
Prepaid expenses	2,129
Property and equipment	52,862
Other assets	3,424
Goodwill	50,677
Casual Male trademark	29,200
Customer lists	1,600
Accounts payable	(23,186)
Accrued expenses and other current liabilities	(6,864)
Accrual for estimated transaction and severance costs	(9,249)
Mortgage note	(12,151)
Total cash paid for assets acquired and liabilities assumed	$ 161,001

The Casual Male acquisition, along with the payment of certain related fees and expenses, was completed with funds provided by: (i) approximately $30.2 million in additional borrowings from the Company's amended three-year $120.0 million senior secured credit facility with the Company's bank, Fleet Retail Finance, Inc. ("Fleet"), (ii) $15.0 million from a three-year term loan with a subsidiary of Fleet, (iii) proceeds from the private placement of $24.5 million principal amount of 12% senior subordinated notes due 2007 together with detachable warrants to acquire 1,715,000 shares of the Company's common stock at an exercise price of $0.01 per share, and additional detachable warrants to acquire 1,176,471 shares of common stock at an exercise price of $8.50 per share, (iv) proceeds from the private placement of $11.0 million principal amount of 5% senior subordinated notes due 2007, (v) approximately $82.5 million of proceeds from the private placement of approximately 1.4 million shares of the Company's common stock, par value $0.01 per share ("Common Stock"), and 180,162 shares of newly designated Series B Convertible Preferred Stock, par value $0.01 per share (which shares were automatically converted on August 8, 2002 into 18,016,200 shares of Common Stock), and (vi) the assumption of a mortgage note in the principal amount of approximately $12.2 million.

Below are the operating results from continuing operations, exclusive of discontinued operations, for the second quarter and first six months of fiscal 2004 compared to the pro forma results for the second quarter and first six months of fiscal 2003, assuming that the Casual Male acquisition had occurred on February 3, 2002:

For the three months ended: *(unaudited, dollars in millions)*	August 2, 2003			August 3, 2002		
	Actual Casual Male business	Actual Other Branded Apparel businesses (1)	Actual Combined Company	Pro forma Casual Male business (2)	Actual Other Branded Apparel businesses (1)	Pro forma Combined Company
Sales	$ 78.9	$ 33.1	$ 112.0	$ 81.3	$ 36.6	$ 117.9
Gross margin, net of occupancy	32.2	7.9	40.1	34.2	7.5	41.7
Gross margin rate	*40.8%*	*23.9%*	*35.8%*	*42.1%*	*20.5%*	*35.4%*
Selling, general and Administrative expenses	26.4	7.8	34.2	28.8	8.6	37.4
Provision for impairment of assets, store closings and severance	—	—	—	—	7.3	7.3
Depreciation and amortization	1.6	0.6	2.2	1.9	1.2	3.1
Operating income (loss)	$ 4.2	$ (0.5)	$ 3.7	$ 3.5	$ (9.6)	$ (6.1)

For the six months ended: *(unaudited, dollars in millions)*	August 2, 2003			August 3, 2002		
	Actual Casual Male business	Actual Other Branded Apparel businesses (1)	Actual Combined Company	Pro forma Casual Male business (2)	Actual Other Branded Apparel businesses (1)	Pro forma Combined Company
Sales	$ 151.7	$ 59.8	$ 211.5	$ 159.7	$ 68.6	$ 228.3
Gross margin, net of occupancy	62.4	13.1	75.5	67.5	14.7	82.2
Gross margin rate	*41.1%*	*21.9%*	*35.7%*	*42.3%*	*21.4%*	*36.0%*
Selling, general and administrative expenses	52.6	14.7	67.3	60.2	16.7	76.9
Provision for impairment of assets, store closings and severance	—	—	—	—	7.3	7.3
Depreciation and amortization	3.1	1.2	4.3	4.2	2.4	6.6
Operating income (loss)	$ 6.7	$ (2.8)	$ 3.9	$ 3.1	$ (11.7)	$ (8.6)

(1) Other Branded Apparel businesses includes the operations of the Company's Levi's®/Dockers® business and EcKo Unltd.® outlet stores. The operating loss from continuing operations for the three and six months ended August 3, 2002, exclusive of results of closed stores which have been shown as discontinued operations, include a provision for impairment of assets, store closings and severance of $7.3 million, which were part of the total $11.1 million in charges recorded by the Company in the second quarter of fiscal 2003 and which are more fully discussed in Note 5. The remaining $3.8 million of the charge related to the closed stores and is included in the net loss from discontinued operations.

(2) Pro forma results of the Casual Male business have been adjusted to eliminate the results of operations for closed store locations, which were not acquired by the Company.

The pro forma results have been prepared based on available information, using assumptions that the Company's management believes are reasonable. Such pro forma results do not purport to represent the actual results of operations that would have reported if the Casual Male acquisition had occurred on February 3, 2002. The above results are also not necessarily indicative of the results that may be achieved in the future.

3. Debt

Notes Payable-Credit Facility

The Company has a credit facility with Fleet, which facility was most recently amended on May 14, 2002 in connection with the financing of the Casual Male acquisition (as amended, the "Credit Facility"). The Credit Facility, which expires on May 14, 2005, principally provides for a total commitment of $120 million with the ability for the Company to issue documentary and standby letters of credit of up to $20 million. The Company's ability to borrow under the Credit Facility is determined using an availability formula based on eligible assets. The Company's obligations under the Credit Facility are secured by a lien on all of its assets. The Credit Facility includes certain covenants and events of default customary for credit facilities of this nature, including change of control provisions and limitations on payment of dividends by the Company. The Company was in compliance with all debt covenants under the Credit Facility at August 2, 2003.

At August 2, 2003, the Company had outstanding borrowings of approximately $50.3 million under the Credit Facility. Outstanding standby letters of credit were $875,000 and outstanding documentary letters of credit were approximately $1.3 million at August 2, 2003. Average borrowings outstanding under the Credit Facility during the first six months of fiscal 2004 were approximately $62.4 million, resulting in a corresponding average unused availability of approximately $11.9 million. At August 2, 2003, the unused availability was approximately $15.4 million.

Other Long-Term Debt

Components of other long-term debt are as follows:

	(in thousands)
Term loan	$ 15,444
12% senior subordinated notes due 2007	16,812
5% senior subordinated notes due 2007	10,313
12% senior subordinated notes due 2010	9,980
Mortgage note	11,180
Total long-term debt	63,729
Less: current portion of long-term debt	(3,675)
Long-term debt, less current portion	$ 60,054

On May 14, 2002, the Company entered into a three-year term loan with Back Bay Capital, a subsidiary of Fleet. Interest on the term loan includes a 12% coupon, 3% paid-in-kind and a 3% annual commitment fee, for a total annual yield of 18%.

In May 2002, the Company also issued $24.5 million principal amount of 12% senior subordinated notes due 2007 through private placements. The carrying value of $16.8 million is net of the assigned value of unamortized warrants to acquire 1,715,000 shares of common stock at an exercise price of $0.01 per share and additional detachable warrants to acquire 1,176,471 shares of common stock at an exercise price of $8.50 per share. The total assigned value of the warrants of approximately $9.6 million, which has been reflected as a component of stockholder's equity as a discount on the notes, is being amortized over the five-year life of the notes as interest expense. At August 2, 2003, the unamortized value of the warrants was $7.7 million.

Also in May 2002 the Company issued $11.0 million principal amount of 5% senior subordinated notes due 2007 through a private placement with the Kellwood Company, with whom the Company has entered into a product sourcing agreement. Since May 2003, the Company has been required to make principal payments in the amount of $687,500 at the end of each of its fiscal quarters through the remaining term of the notes. Accordingly, during the second quarter of fiscal 2004, the Company made its first quarterly principal payment in the amount of $687,500.

In connection with the Casual Male acquisition, the Company also assumed an outstanding mortgage note for real estate and buildings located in Canton, Massachusetts. The mortgage note, which bears interest at an annual rate of 9%, had an outstanding principal balance of $11.2 million at August 2, 2003.

Through the end of the second quarter of fiscal 2004, the Company issued through private placements approximately $11.4 million principal amount of 12% senior subordinated notes due 2010. A description of related party participation in these private placements is included in Note 10. Together with these notes, which were issued net of any commission for an aggregate purchase price equal to 96.5% of the principal amount, the Company also issued, through such private placements, detachable warrants to purchase 456,400 shares of Common Stock at exercise prices ranging from $4.76 to $5.35 per share. Such exercise prices represent the average of the closing prices of the Company's Common Stock on the Nasdaq National Market for the period of 30 trading days ending prior to each of the respective issue dates. The assigned value of $1.4 million for these warrants has been reflected as a component of stockholders' equity as a discount on such notes and is being amortized over the seven-year life of the notes as interest expense. Accordingly, the carrying value of $10.0 million is net of the unamortized assigned value for such warrants. The net proceeds from these issuances were used to reduce borrowings outstanding under the Credit Facility. Also in connection with these private placements, the Company obtained a consent from Fleet permitting the Company to issue such additional senior subordinated notes.

4. Equity

Earnings Per Share

SFAS No. 128, *Earnings per Share*, requires the computation of basic and diluted earnings per share. Basic earnings per share is computed by dividing net income (loss) by the weighted average number of shares of Common Stock outstanding during the respective period. Diluted earnings per share is determined by giving effect to the exercise of stock options and certain warrants using the treasury stock method. The following table provides a reconciliation of the number of shares outstanding for basic and diluted earnings per share:

	Three months ended		Six months ended	
	8/2/03	8/3/02	8/2/03	8/3/02
(in thousands)				
Basic weighted average common shares outstanding	35,839	16,050	35,796	15,421
Stock options, excluding the effect of anti-dilutive options and warrants totaling 786 shares for the six months ended August 2, 2003 and 1,839 and 1,267 shares for the three and six months ended August 3, 2002, respectively	1,052	—	—	—
Diluted weighted average common shares outstanding	36,891	16,050	35,796	15,421

The following potential common stock equivalents were excluded from the computation of diluted earnings per share, in each case, because the exercise price of such options and warrants was greater than the average market price per share of Common Stock for the periods reported:

	Three months ended		Six months ended	
	8/2/03	8/3/02	8/2/03	8/3/02
(in thousands)				
Stock Options	220	118	1,688	118
Warrants	1,176	1,176	1,676	1,176

Stock-Based Compensation

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure* ("SFAS 148"), an amendment of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, SFAS 148 also amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions are effective for financial statements issued for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. Accordingly, the Company adopted the interim disclosure provisions of SFAS 148 in the first quarter of fiscal 2004.

The Company has elected the disclosure-only alternative prescribed in SFAS 123 and, accordingly, no compensation cost has been recognized. The Company has disclosed the pro forma net income or loss and per share amounts using the fair value based method. Had compensation costs for the Company's grants for stock-based compensation been determined consistent with SFAS 123, the Company's net income (loss) and income (loss) per share would have been as indicated below:

	Three months ended		Six months ended	
	8/2/03	8/3/02	8/2/03	8/3/02
(In thousands, except per share amounts)				
Net income (loss)—as reported	$ 658	$ (12,915)	$ (2,097)	$ (14,710)
Net income (loss)—pro forma	$ 365	$ (13,062)	$ (2,642)	$ (15,021)
Income (loss) per share—diluted as reported	$ 0.02	$ (0.80)	$ (0.06)	$ (0.95)
Income (loss) per share—diluted pro forma	$ 0.01	$ (0.81)	$ (0.07)	$ (0.97)

The effects of applying SFAS 123 in this pro forma disclosure are not likely to be representative of the effects on reported net income or loss for future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants for the three and six months ended August 2, 2003 and August 3, 2002:

	August 2, 2003	August 3, 2002
Expected volatility	65.0%	89.6%
Risk-free interest rate	2.7%	2.7%
Expected life	4.5 yrs.	4.5 yrs.
Dividend rate	—	—

The weighted-average fair value of options granted in the first six months of fiscal 2004 and fiscal 2003 was $4.46 and $3.28, respectively.

5. Restructuring, Store Closing and Impairment of Assets

During the second quarter of fiscal 2003, the Company recorded charges totaling $11.1 million related to the Company's restructuring of its Levi's®/Dockers® business and the integration of the Casual Male operations. Of the total $11.1 million in restructuring charges, $7.3 million relates to stores which are still open and therefore is reflected as part of the operating loss from continuing operations for the three and six months ended August 3, 2002. The remaining $3.8 million relates to stores which have closed and therefore is included in discontinued operations for the three and six months ended August 3, 2002.

In the fourth quarter of fiscal 2003, the Company recorded an additional charge totaling $30.2 million related to the Company's decision to further downsize its Levi's®/Dockers® business and to transfer its Candies® outlet stores to Candies, Inc. Of the total $41.3 million in restructuring charges incurred in fiscal 2003: (i) $7.8 million related to the Company's fiscal 2003 discontinued operations, which included the closing of 20 Levi's®/Dockers® stores and the exiting of its Candies® outlet stores, both of which were completed in fiscal 2003; (ii) $21.9 million related to the future closing of the remaining Levi's®/Dockers® stores; (iii) $3.6 million related to the integration plan to combine the operations of Casual Male with those of the Company; and (iv) $8.0 million related to the impairment of certain tax assets. Through the end of the second quarter of fiscal 2004, the Company had closed 22 Levi's®/Dockers® stores and had completely transferred its Candies® outlet business to Candies, Inc.

At August 2, 2003, the remaining reserve for Levi's®/Dockers® store closings was $13.6 million. The reserve consisted of inventory reserves of $8.2 million, which have been netted against "Inventories" on the Consolidated Balance Sheet, and accruals for landlord settlements and other costs of $5.4 million, which are shown as "Accrued liabilities for severance and store closings" on the Consolidated Balance Sheet. Below is a table showing the changes in the components of the reserves from February 1, 2003 to August 2, 2003:

(in millions)	Balance at February 1, 2003	Net Provisions	Charges/Write-offs	Balance at August 2, 2003
Inventory reserves	$ 11.1	—	$ (2.9)	$ 8.2
Accrued liabilities for severance and store closings	6.2	—	(0.8)	5.4
Total reserves	$ 17.3	—	$ (3.7)	$ 13.6

6. Discontinued Operations

In accordance with the provisions of SFAS 144, the Company's discontinued operations reflect the operating results for stores which have been closed as part of the Company's plan to exit its Levi's®/Dockers® business and Candies® outlet business. The results for the first quarter of fiscal 2003 have been reclassified to show the results of operations for the Company's 22 closed Levi's®/Dockers® outlet stores and the Candies® outlet store business as discontinued operations. Included in the results of discontinued operations for three and six months ended August 3, 2002 is $3.8 million of the total $11.1 million in restructuring charges recorded in the second quarter of fiscal 2003. Of that $3.8

million, $3.1 million reflects inventory liquidation costs of the closed stores and is included in cost of sales. Also, due to the consolidated tax position of the Company, no tax benefit or provision was realized on discontinued operations for either the three-month or the six-month period ended August 3, 2002.

Below is a summary of the results of operations for these closed stores for the three and six months ended August 2, 2003 and August 3, 2002:

	For the three months ended		For the six months ended	
(in thousands)	8/2/03	8/3/02	8/2/03	8/3/02
Sales	$559	$ 5,674	$1,094	$10,145
Gross profit, net of occupancy	(27)	(2,228)	(62)	(1,423)
Selling, general and administrative expenses	65	1,336	155	2,373
Provision for impairment of assets, store closings and severance	—	735	—	735
Depreciation and amortization	—	177	—	327
Operating loss	92	4,476	217	4,858
Income tax provision	—	—	—	—
Loss from discontinued operations	$ 92	$ 4,476	$ 217	$ 4,858

7. Income Taxes

In fiscal 2003, as a result of the net loss incurred by the Company and the potential that its remaining net deferred tax assets may not be realizable, the Company recorded a non-cash charge of approximately $8.0 million, fully reserving the Company's deferred tax assets at February 1, 2003.

At August 2, 2003, the Company had total gross deferred tax assets of approximately $35.3 million, which are fully reserved. These tax assets principally relate to federal net operating loss carryforwards that expire from 2017 through 2023. The ability to reduce the Company's corresponding valuation allowance of $35.3 million in the future is dependent upon the Company's ability to achieve sustained taxable income, which would allow for the utilization of the deferred tax assets.

8. Minority Interest

Since March 2002, the Company has operated a joint venture with EcKo Complex, LLC ("EcKo") under which the Company, a 50.5% partner, owns and manages retail outlet stores bearing the name EcKo Unltd.® and featuring EcKo® brand merchandise. EcKo, a 49.5% partner, contributes to the joint venture the use of its trademark and the merchandise requirements, at cost, of the retail outlet stores. The Company contributes all real estate and operating requirements of the retail outlet stores, including, but not limited to, the real estate leases, payroll needs and advertising. Each partner shares in the operating profits of the joint venture, after each partner has received reimbursements for its cost contributions. Under the terms of the agreement, the Company must maintain a prescribed store opening schedule and open 75 stores over a six-year period in order to maintain the joint venture's exclusivity. At certain times during the term of the agreement, the Company may exercise a put option to sell its share of the retail joint venture, and EcKo has an option to acquire the Company's share of the retail joint venture at a price based on the performance of the retail outlet stores. As of August 2, 2003, the Company has opened a total of 16 EcKo Unltd.® outlet stores pursuant to its joint venture arrangement.

For financial reporting purposes, the joint venture's assets, liabilities, and results of operations are consolidated with those of the Company, and EcKo's 49.5% ownership in the joint venture is included in the Company's consolidated financial statements as a minority interest. For the three and six months ended August 2, 2003, the joint venture had sales of approximately $3.7 million and $5.7 million, respectively. For the six months ended August 2, 2003, EcKo contributed approximately $4.1 million of merchandise to the joint venture.

9. Segment Information

Since the Casual Male acquisition in May 2002, the Company has operated its business under two reportable segments: (i) the Casual Male business and (ii) the Other Branded Apparel businesses.

Casual Male business: This segment includes the Company's 412 Casual Male Big & Tall retail stores, 64 Casual Male Big & Tall outlet stores, and its Casual Male catalog and e-commerce businesses.

Other Branded Apparel businesses: This segment includes the Company's remaining 80 Levi's®/Dockers® outlet stores and its 16 EcKo Unltd.® outlet stores.

As discussed in Note 5, the Company is in the process of exiting its Levi's®/Dockers® outlet business. There were no results of operations for the Company's Candies® outlet business for the three and six months ended August 2, 2003 since the stores were transferred to Candies, Inc. at the end of fiscal 2003.

The accounting policies of the reportable segments are consistent with the consolidated financial statements of the Company. The Company evaluates individual store profitability in terms of a store's "Operating Profit", which is defined by the Company as gross margin less occupancy costs, direct selling costs and an allocation of indirect selling costs. Below are the results of operations on a segment basis for the three and six months ended August 2, 2003 and August 3, 2002, respectively.

	For the three months ended August 2, 2003			***For the three months ended August 3, 2002***		
(in millions)	**Casual Male business**	**Other Branded Apparel businesses**	**Total**	**Casual Male business**	**Other Branded Apparel businesses**	**Total**
Statement of Operations:						
Sales	$ 78.9	$ 33.1	$ 112.0	$ 73.4	$ 36.6	$ 110.0
Gross margin	32.2	7.9	40.1	30.6	7.5	38.1
Selling, general and administrative	26.4	7.8	34.2	24.1	8.6	32.7
Provision for store closing, impairment of assets and severance	—	—	—	—	7.3	7.3
Depreciation and amortization	1.6	0.6	2.2	1.6	1.2	2.8
Operating income (loss)	$ 4.2	$ (0.5)	$ 3.7	4.9	$ (9.6)	$ (4.7)
Reconciliation to net income (loss):						
Interest expense, net			3.0			2.7
Minority interest			(0.0)			—
Income tax provision			—			1.0
Net income (loss) from continuing Operations			0.8			(8.4)
Loss from discontinued operations			(0.1)			(4.5)
Net income (loss)			$ 0.7			$ (12.9)

	For the six months ended August 2, 2003			For the six months ended August 3, 2002		
	Casual Male business	Other Branded Apparel businesses	Total	Casual Male business	Other Branded Apparel businesses	Total
Statement of Operations:						
Sales	$ 151.7	$ 59.8	$ 211.5	$ 73.4	$ 68.6	$ 142.0
Gross margin	62.4	13.1	75.5	30.6	14.7	45.3
Selling, general and administrative	52.6	14.7	67.3	24.1	16.7	40.8
Provision for store closing, impairment of assets and severance	—	—	—	—	7.3	7.3
Depreciation and amortization	3.1	1.2	4.3	1.6	2.4	4.0
Operating income (loss)	$ 6.7	$ (2.8)	$ 3.9	4.9	$ (11.7)	$ (6.8)
Reconciliation to net income (loss):						
Interest expense, net			$ 5.9			$ 3.0
Minority interest			(0.1)			—
Income tax provision			—			—
Net income (loss) from continuing operations			(1.9)			(9.8)
Loss from discontinued operations			(0.2)			(4.9)
Net income (loss)			$ (2.1)			$ (14.7)
Balance Sheet:						
Inventories	$ 66.5	$ 34.4	$ 100.9	$ 64.5	$ 70.5	$ 135.0
Fixed assets	59.1	7.2	66.3	60.0	13.1	73.1
Goodwill and other intangible assets	81.4	—	81.4	66.7	—	66.7
Trade accounts payable	29.9	6.3	36.2	29.1	16.2	45.3
Capital expenditures	4.2	1.8	6.0	0.6	2.6	3.2

10. Related Party Transactions

Loan to Executive

In June 2000, the Company extended a loan to David A. Levin, its President and Chief Executive Officer, in the amount of $196,875 in order for Mr. Levin to acquire from the Company 150,000 newly issued shares of the Company's Common Stock at the closing price of the Common Stock on that day. The Company and Mr. Levin entered into a secured promissory note, whereby Mr. Levin agreed to pay to the Company the principal sum of $196,875 plus interest due and payable on June 26, 2003. The promissory note provided for interest at a rate of 6.53% per annum and was secured by the 150,000 acquired shares of the Company's Common Stock.

On April 30, 2003, Mr. Levin satisfied his obligations under the promissory note through the delivery to the Company of 52,694 shares of the Company's Common Stock with a fair market value of $233,435, which represented the outstanding principal and interest through April 30, 2003. The Company accounted for the 52,694 shares received from Mr. Levin as treasury stock.

Extension of Jewelcor Management Inc. Consulting Agreement

As of April 28, 2003, the Board of Directors of the Company approved an extension to the Company's consulting agreement with Jewelcor Management Inc. ("JMI") for an additional three-year term commencing on April 29, 2003 and ending on April 28, 2006. The extension of the consulting agreement will automatically renew each year thereafter on its anniversary date for additional one-year terms, unless either party notifies the other at least ninety days prior to the end of the then-current term. Under the consulting agreement, the Company will compensate JMI, annually, through the issuance of non-forfeitable and fully vested shares of the Company's Common Stock with a fair value equal to $276,000 on the date of grant. Accordingly, as payment for services to be rendered under this agreement through April 28, 2004, the Company issued to JMI 70,769 non-forfeitable and fully vested shares of Common Stock. The fair value of those shares as of April 28, 2003 was $276,000 or $3.90 per share. Seymour Holtzman, the Chairman of the Company's Board of Directors and the beneficial holder of approximately 12% of the Company's outstanding Common

Stock (principally held by JMI), is also the President and Chief Executive Officer, and indirectly, with his wife, the primary shareholder of JMI.

Effective May 1, 2003, the Compensation Committee increased the annual compensation to JMI by $50,000, from $276,000 to $326,000. The increase of $50,000 for fiscal 2004 was paid to JMI through the issuance of 12,820 non-forfeitable and fully vested shares of Common Stock. In addition, on July 1, 2003, the Board of Directors of the Company approved a $150,000 bonus to JMI, payable in cash.

Fiscal 2004 Private Placement Debt Issuances

During the second quarter of fiscal 2004, the Company issued through private placements approximately $11.4 million principal amount of 12% senior subordinated notes due 2010, which notes were issued net of any commission for an aggregate purchase price equal to 96.5% of the principal amount. Certain of such issuances were to existing investors in the Company, including $1.5 million of such notes to JMI, $250,000 of such notes to Marc Holtzman (a son of Seymour Holtzman), and $2.5 million of such notes to Clark Partners I, L.P. Stephen Duff, a director of the Company, is the Treasurer of Ninth Floor Corporation, the general partner of Clark Partners I, L.P., and is also the Chief Investment Officer of The Clark Estates, Inc. Another $2.5 million of such notes were issued to Baron Asset Fund, an affiliate of Baron Capital Group, Inc., which is the beneficial holder of approximately 8.4% of the outstanding Common Stock of the Company.

Together with these notes, the Company also issued through such private placements detachable warrants to purchase 456,400 shares of the Company's Common Stock. JMI received warrants to purchase 60,000 shares of Common Stock, Marc Holtzman received warrants to purchase 10,000 shares of Common Stock, and each of Clark Partners I, L.P. and Baron Asset Fund received warrants to purchase 100,000 shares of Common Stock. The exercise price of these warrants was $4.76 per share, the average of the closing prices of the Company's Common Stock on the Nasdaq National Market for the period of 30 trading days ended July 1, 2003.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "estimate," "intend," "plan," "continue," "believe," "expect" or "anticipate" or the negatives thereof, variations thereon or similar terminology. The forward-looking statements contained in this Quarterly Report are generally located in the material set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," but may be found in other locations as well. These forward-looking statements generally relate to plans and objectives for future operations and are based upon management's reasonable estimates of future results or trends. The forward-looking statements in this Quarterly Report should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. Numerous factors could cause the Company's actual results to differ materially from such forward-looking statements. The Company encourages readers to refer to the Company's Current Report on Form 8-K, previously filed with the Securities and Exchange Commission on September 17, 2002, which identifies certain risks and uncertainties that may have an impact on future earnings and the direction of the Company.

All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the foregoing. These forward-looking statements speak only as of the date of the document in which they are made. The Company disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances in which the forward-looking statement is based.

BUSINESS SUMMARY

Casual Male Retail Group, Inc. (formerly known as Designs, Inc.) together with its subsidiaries (the "Company") is the largest specialty apparel retailer of big and tall men's apparel, with a presence throughout the United States and Puerto Rico. The business of the Company, which historically had been the operation of outlet stores selling Levi Strauss & Co. and other well-known branded apparel, changed dramatically during fiscal 2003. On May 14, 2002, the Company completed its acquisition of substantially all of the assets of Casual Male Corp. and certain of its subsidiaries ("Casual Male") for a purchase price of approximately $170 million, plus the assumption of certain operating liabilities.

RESULTS OF OPERATIONS

The following discussion of the Company's results of operations include the results of the Casual Male business from May 14, 2002, the date of the Casual Male acquisition. Since the acquisition of Casual Male, the Company has defined its business as two reportable business segments: (i) the Casual Male business and (ii) the Other Branded Apparel businesses ("Other Apparel"). The Company's Casual Male business includes its retail and outlet Casual Male Big & Tall stores, and its catalog and e-commerce businesses. Other Apparel includes the Company's Levi's®/Dockers® outlet stores and its EcKo Unltd.® outlet stores.

Because of the substantial materiality of the Casual Male business to the Company's consolidated results of operations for the first six months of fiscal 2004, the Company has included the following table, which highlights operating income/(loss) by business segment and includes pro forma results from operations for the three and six months ended August 3, 2002. These pro forma results assume that the Company acquired Casual Male on February 3, 2002. Management believes that this information is necessary in order to provide a complete and balanced discussion of the results of operations for the three and six months ended August 2, 2003 as compared to the prior year. The following pro forma financial tables were prepared based on available information, using assumptions that the Company's management believes are reasonable. The pro forma results do not purport to represent the actual results of operations that would have occurred if the Casual Male acquisition had occurred on the date on February 3, 2002, and they are not necessarily indicative of the results that may be achieved in the future.

Financial Highlights—Operating income (loss) by business segment (dollars in millions)

	For the three months ended								
	August 2, 2003 (actual)			August 3, 2002 (actual)			August 3, 2002 (pro forma)		
	Casual Male	Other Apparel	Total	Casual Male	Other Apparel	Total	Casual Male	Other Apparel	Total
Sales	$78.9	$ 33.1	$112.0	$73.4	$ 36.6	$110.0	$81.3	$ 36.6	$117.9
as a percent of total sales	*70.4%*	*29.6%*		*66.7%*	*33.3%*		*69.0%*	*31.0%*	
Gross margin	32.2	7.9	40.1	30.6	7.5	38.1	34.2	7.5	41.7
gross margin rate	*40.8%*	*23.9%*	*35.8%*	*41.7%*	*20.5%*	*34.6%*	*42.1%*	*20.5%*	*35.4%*
Selling, general and administrative	26.4	7.8	34.2	24.1	8.6	32.7	28.8	8.6	37.4
as a percentage of sales	*33.5%*	*23.6%*	*30.5%*	*32.8%*	*23.5%*	*29.7%*	*35.4%*	*23.5%*	*31.7%*
Provision for impairment of assets store closing, and severance	—	—	—	—	7.3	7.3	—	7.3	7.3
Depreciation and amortization	1.6	0.6	2.2	1.6	1.2	2.8	1.9	1.2	3.1
Operating income (loss)	$ 4.2	$ (0.5)	$ 3.7	$ 4.9	$ (9.6)	$ (4.7)	$ 3.5	$ (9.6)	$ (6.1)

	For the six months ended								
	August 2, 2003 (actual)			August 3, 2002 (actual)			August 3, 2002 (pro forma)		
	Casual Male	Other Apparel	Total	Casual Male	Other Apparel	Total	Casual Male	Other Apparel	Total
Sales	$151.7	$ 59.8	$211.5	$73.4	$ 68.6	$142.0	$159.7	$ 68.6	$228.3
as a percent of total sales	*71.7%*	*28.3%*		*51.7%*	*48.3%*		*70.0%*	*30.0%*	
Gross margin	62.4	13.1	75.5	30.6	14.7	45.3	67.5	14.7	82.2
gross margin rate	*41.1%*	*21.9%*	*35.7%*	*41.7%*	*21.4%*	*31.9%*	*42.3%*	*21.4%*	*36.0%*
Selling, general and administrative	52.6	14.7	67.3	24.1	16.7	40.8	60.2	16.7	76.9
as a percentage of sales	*34.7%*	*24.6%*	*31.8%*	*32.8%*	*24.3%*	*28.7%*	*37.7%*	*24.3%*	*33.7%*
Provision for impairment of assets store closing, and severance	—	—	—	—	7.3	7.3	—	7.3	7.3
Depreciation and amortization	3.1	1.2	4.3	1.6	2.4	4.0	4.2	2.4	6.6
Operating income (loss)	$ 6.7	$ (2.8)	$ 3.9	$ 4.9	$ (11.7)	$ (6.8)	$ 3.1	$ (11.7)	$ (8.6)

Sales

For the second quarter of fiscal 2004, the Casual Male business had sales of $78.9 million. On a pro forma basis, this compares to sales for the second quarter of fiscal 2003 of $81.3 million, or a decrease of 3.0%. For the six months ended August 2, 2003, the Casual Male business had sales of $151.7 million, compared to sales for the six months ended August 3, 2002, on a pro forma basis, of $159.7 million, or a decrease of 5.0%. On a pro forma basis, comparable store sales for the Casual Male business decreased 2.3% for the second quarter of fiscal 2004 and 3.6% for the six months ended August 2, 2003. Comparable stores are those stores that have been open for at least 13 months. The Company has several major merchandising initiatives that are directed toward improving sales and which are expected to be introduced into the stores in the second half of fiscal 2004. These merchandising initiatives include such plans as new key item merchandising strategy, extended sizes toward the tall customer, and the expansion of its young men’s assortments.

Other Apparel, exclusive of stores closed as described below under “Discontinued Operations”, experienced a 12.8% decrease in sales for the first six months of fiscal 2004 as compared to the first six months of fiscal 2003. This decrease, which primarily relates to the Levi’s®/Dockers® outlet stores, continues to be primarily due to the erosion of the Levi Strauss & Co. brands. The Company’s exit strategy for its Levi’s®/Dockers® outlet stores has also had a negative impact on sales in these stores. The Other Apparel segment also had sales of approximately $5.7 million for the first six months of fiscal 2004 from the Company’s 16 EcKo Unltd.® outlet stores, which continue to perform above management’s original expectations.

Gross Profit Margin

For the second quarter of fiscal 2004, the gross margin rate for the Casual Male business, inclusive of occupancy costs, was 40.8%, which was a decrease of 1.3 percentage points, on a pro forma basis, compared to a gross margin rate of 42.1% for the second quarter of fiscal 2003. This decrease was primarily attributable to increased markdowns used to reduce spring inventory levels. For the six months ended August 2, 2003, the gross margin rate for the Casual Male business of 41.1% decreased 1.2 percentage points, on a pro forma basis, compared to a gross margin rate of 42.3% for the six months ended August 3, 2002. This decrease was mainly attributable to increased occupancy costs and sales declines.

The gross margin rate for Other Apparel was 23.9% for the second quarter of fiscal 2004 as compared to 20.5% for the second quarter of the prior year. For the six months ended August 2, 2003, the gross margin rate for Other Apparel was 21.9% as compared to 21.4% for the six months ended August 3, 2002. Even with the Company’s plan to exit its Levi’s®/Dockers® business, the Company expects that it will be able to maintain this improved merchandise margin throughout the remainder of fiscal 2004.

Selling, General and Administrative Expenses

On a consolidated basis, selling, general and administrative (“SG&A”) expenses as a percentage of sales for the second quarter of fiscal 2004 were 30.5% of sales as compared to 29.7% for the second quarter of fiscal 2003. For the six months ended August 2, 2003, SG&A expenses were 31.8% of sales as compared to 28.7% for the six months ended August 3, 2002.

On a pro forma basis, for the six months ended August 2, 2003, as compared to the six months ended August 3, 2002, the Company reduced SG&A expenses by approximately $9.6 million, of which approximately $7.6 million was from the Casual Male business.

Depreciation and Amortization

Depreciation and amortization expense for the second quarter of fiscal 2004 was $2.2 million as compared to $2.8 million for the second quarter of fiscal 2003. This decrease was primarily the result of $14.4 million in impaired assets of the Levi’s®/Dockers® business which were written down in fiscal 2003. This decrease was partially offset by an increase due to new store openings. For the six months ended August 2, 2003, depreciation and amortization was $4.3 million as compared to $4.0 million for the corresponding six-month period of the prior year. This increase was due to the addition of approximately $52.9 million in assets from the Casual Male acquisition, partially offset by $14.4 million of impairment charges recorded during fiscal 2003.

Restructuring and Impairment of Assets–Fiscal 2003

During the second quarter of fiscal 2003, the Company recorded charges totaling $11.1 million related to the Company’s restructuring of its Levi’s®/Dockers® business and the integration of the Casual Male operations. Of the total $11.1 million in restructuring charges, $7.3 million relates to stores which are still open and therefore is reflected as part of the operating loss from continued operations for the three and six months ended August 3, 2002. The remaining $3.8 million relates to stores which have closed and therefore is included in discontinued operations for the three and six months ended August 3, 2002.

In the fourth quarter of fiscal 2003, the Company recorded additional charges of $30.2 million related to the Company’s decision to further downsize its Levi’s®/Dockers® business and transfer its Candies® outlet stores to Candies, Inc.,

resulting in total charges of approximately $41.3 million in fiscal 2003. For more information on these charges, see Note 5 to the Consolidated Financial Statements for the three and six months ended August 2, 2003.

Interest Expense, Net

Net interest expense was $3.0 million for the second quarter of fiscal 2004 as compared to $2.7 million for the second quarter of fiscal 2003. The increase in interest expense was due to increased average borrowings in fiscal 2004 under the Company's credit facility with Fleet Retail Finance, Inc. ("Fleet"), which facility was most recently amended on May 14, 2002 in connection with the financing of the Casual Male acquisition (as amended the "Credit Facility"). For the six months ended August 2, 2003, net interest expenses was $5.9 million as compared to $3.1 million for the six months ended August 3, 2002. This majority of this increase was the result of the Company's issuance of approximately $50.0 million of long-term debt and of increased borrowings of approximately $30.2 million under the Credit Facility in connection with the financing of the Casual Male acquisition. The Company also assumed a $12.2 million mortgage as part of the acquisition.

Discontinued Operations

In accordance with the provisions of SFAS 144, the Company's discontinued operations reflect the operating results for stores which have been closed as part of the Company's plan to exit its Levi's®/Dockers® business and Candies® outlet business. The results for the first quarter of fiscal 2003 have been reclassified to show the results of operations for the Company's 22 closed Levi's®/Dockers® outlet stores and the Candies® outlet store business as discontinued operations. Included in the results of discontinued operations for three and six months ended August 3, 2002 is $3.8 million of the total $11.1 million in restructuring charges recorded in the second quarter of fiscal 2003. Of that $3.8 million, $3.1 million, which is included in gross profit, reflects inventory liquidation costs of the closed stores. Also, due to the consolidated tax position of the Company, no tax benefit or provision was realized on discontinued operations for either period. For more information on these charges, see Note 6 to the Consolidated Financial Statements for the three and six months ended August 2, 2003.

Income Taxes

In fiscal 2003, as a result of the net loss incurred by the Company and the potential that its remaining net deferred tax assets may not be realizable, the Company recorded a non-cash charge of approximately $8.0 million, fully reserving the Company's deferred tax assets at February 1, 2003.

At August 2, 2003, the Company had total gross deferred tax assets of approximately $35.3 million, which are fully reserved. These tax assets principally relate to federal net operating loss carryforwards that expire from 2017 through 2023. The ability to reduce the Company's corresponding valuation allowance of $35.3 million in the future is dependent upon the Company's ability to achieve sustained taxable income, which would allow for the utilization of the deferred tax assets.

Net Income (Loss)

For the second quarter of fiscal 2004 the Company reported net income of $658,000 or $0.02 per diluted share, as compared to a net loss of $12.9 million or $(0.80) per diluted share for the second quarter of fiscal 2003. For the six months ended August 2, 2003, the Company reported a net loss of $2.1 million or $(0.06) per diluted share as compared to a net loss of $14.7 million or $(0.95) per diluted share for the six months ended August 3, 2002. The results for the three and six months ended August 3, 2002 include $11.1 million in charges related to the Company's decision to downsize its Levi's®/Dockers® business and also includes certain integration costs.

SEASONALITY

Historically and consistent with the retail industry, the Company has experienced seasonal fluctuations in revenues and income, with increases traditionally occurring during the Company's third and fourth quarters as a result of the "Fall" and "Holiday" seasons.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary cash needs are for working capital (essentially inventory requirements) and capital expenditures. Specifically, the Company's capital expenditure program includes projects for new store openings, downsizing or combining existing stores, and improvements and integration of its systems infrastructure. The Company expects that cash flow from operations, external borrowings and trade credit will enable it to finance its current working capital and expansion requirements.

For the first six months of fiscal 2004, cash provided by operating activities was $2.5 million as compared to cash used for operating activities of $5.6 million for the corresponding period of the prior year. This $8.1 million improvement in cash from operations was primarily due to increased profitability from continuing operations in fiscal 2004.

In addition to cash flow from operations, the Company's other primary source of working capital is the Credit Facility with Fleet. The Credit Facility, which was amended May 14, 2002 in connection with the financing of the Casual Male acquisition, provides for a total commitment of $120.0 million with a $20.0 million carve-out for standby and documentary letters of credit. The Credit Facility expires May 14, 2005. The Company's ability to borrow under the Credit Facility is determined using an availability formula based on eligible assets. The Company borrowed approximately $30.2 million under the Credit Facility in May 2002 to partially fund the Casual Male acquisition. At August 2, 2003, the Company had borrowings of approximately $50.3 million outstanding under the Credit Facility. The Company anticipates that cash flow from operations and availability under the Credit Facility will be sufficient to meet all debt service requirements and operating needs of its business.

In addition to approximately $30.2 million of financing from the Credit Facility, the Company financed the Casual Male acquisition through the issuance of $82.5 million of additional equity and approximately $50 million of new long-term debt with detachable warrants. The Company also assumed a mortgage note in the principal amount of approximately $12.2 million for Casual Male Corp.'s corporate headquarters and distribution center in Canton, Massachusetts. See Note 2 to the Consolidated Financial Statements for the three and six months ended August 2, 2003.

During the second quarter of fiscal 2004, the Company issued through private placements approximately $11.4 million principal amount of 12% senior subordinated notes due 2010. A description of related party participation in these private placements is included in Note 10 to the Consolidated Financial Statements for the three and six months ended August 2, 2003. Together with these notes, which were issued net of any commission for an aggregate purchase price equal to 96.5% of the principal amount, the Company also issued, through such private placements, detachable warrants to purchase 456,400 shares of Common Stock at exercise prices ranging from $4.76 to $5.35 per share. Such exercise prices represent the average of the closing prices of the Company's Common Stock on the Nasdaq National Market for the period of 30 trading days ending prior to each of the respective issue dates. The assigned value of $1.4 million for these warrants has been reflected as a component of stockholder's equity as a discount on such notes and is being amortized over the seven-year life of the notes as interest expense. Accordingly, the carrying value of $10.0 million is net of the unamortized assigned value for such warrants. The net proceeds from these senior subordinated notes were used to reduce borrowings outstanding under the Credit Facility.

At August 2, 2003, total inventory equaled $100.9 million compared to $103.2 million at February 1, 2003. The Company continues to effectively manage its inventory levels despite its sales decreases during the first six months of fiscal 2004. The Company continues to focus on reducing its inventory levels, and, on a comparative basis, the Company's inventory levels are down over 25% from the prior year. Inventory at August 2, 2003 is net of approximately $8.2 million in inventory reserves related to the Company's exiting of its Levi's®/Dockers® outlet stores.

Total cash outlays for capital expenditures for the first six months of fiscal 2004 were $6.0 million as compared to $3.2 million for the first six months of fiscal 2003. During the first six months of fiscal 2004, the Company opened six Casual Male Big & Tall outlet stores, five Casual Male Big & Tall retail stores and 10 EcKo Unltd.® outlet stores. The Company also relocated two of its existing Casual Male Big & Tall retail stores to more favorable locations during the first quarter of fiscal 2004. The Company expects that its total capital expenditures for fiscal 2004 will be between $12.0 to $14.0 million, of which approximately $8.5 million will relate to store expansion. The remaining planned capital expenditures relate to the Company's management information systems, which includes new merchandising and distribution systems.

The Company's expansion plans for the remainder of fiscal 2004 will focus on opening another eight Casual Male Big & Tall retail stores, three additional Casual Male Big & Tall outlet stores and five more EcKo Unltd.® outlet stores and one EcKo Unltd.® retail store. The Company also plans to focus on expanding its catalog and e-commerce businesses.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of business, the financial position and results of operations of the Company are routinely subject to a variety of risks, including market risk associated with interest rate movements on borrowings. The Company regularly assesses these risks and has established policies and business practices to protect against the adverse effects of these and other potential exposures.

The Company utilizes cash from operations and the Credit Facility to fund its working capital needs. The Credit Facility is not used for trading or speculative purposes. In addition, the Company has available letters of credit as sources of financing for its working capital requirements. Borrowings under the Credit Facility, which expires in May 2005, bear interest at variable rates based on FleetBoston, N.A.'s prime rate or the London Interbank Offering Rate ("LIBOR"). These interest rates at August 2, 2003 were 4.50% for prime based borrowings and included various LIBOR contracts with interest rates ranging from 3.99% to 4.03%. Based upon sensitivity analysis as of August 2, 2003, a 50 basis point increase in interest rates would result in a potential annual increase in interest expense of approximately $312,000.

Item 4. Controls and Procedures.

We maintain "disclosure controls and procedures," as such term is defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this quarterly report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as required by Rule 13a-15 under the Exchange Act. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective. There has been no change in our internal control over financial reporting that has occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Default Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

The Company held its Annual Meeting of Stockholders on August 7, 2003. The matters submitted to a vote of the Company's stockholders were (i) the election of eight directors, (ii) amendments to the Company's 1992 Stock Incentive Plan, and (iii) the ratification of Ernst & Young LLP as independent auditors for the Company for the current fiscal year.

(i) The Company's Stockholders elected eight directors to hold office until the 2004 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified. The results of the voting were as follows:

Directors	Votes FOR	Votes AGAINST
Seymour Holtzman	25,255,273	3,109,382
David A. Levin	25,276,093	3,088,562
Alan S. Bernikow	26,224,446	2,140,209
Jesse Choper	25,996,588	2,368,067
Stephen M. Duff	24,843,928	3,520,727
Frank J. Husic	23,897,128	4,467,527
Joseph Pennacchio	25,996,638	2,368,017
George T. Porter, Jr.	25,996,338	2,368,317

(ii) The Company's stockholders approved amendments to the Casual Male Retail Group, Inc. 1992 Stock Incentive Plan. The results of the voting were as follows:

Votes FOR	Votes AGAINST	Votes UNVOTED	Votes ABSTAINED
14,749,811	6,360,949	7,245,065	8,830

(iii) The Company's stockholders also ratified the appointment of Ernst & Young LLP as the Company's independent auditors for the current fiscal year. The results of the voting were as follows:

Votes FOR	Votes AGAINST	Votes ABSTAINED
28,332,414	25,636	6,605

Item 5. Other Information.

None.

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

A. Exhibits:

10.1 Amendment to Consulting Agreement, effective as of May 1, 2003, between the Company and Jewelcor Management, Inc.

10.2 Third Amendment to Employment Agreement, dated July 9, 2003, between the Company and David A. Levin.

10.3 Third Amendment to Employment Agreement, dated July 9, 2003, between the Company and Dennis R. Hernreich.

10.4 Note Agreement, dated as of July 2, 2003, among the Company, certain subsidiaries of the Company, and the Initial Purchasers identified on the signature pages thereto (the "Note Agreement").

10.5 Form of 12% Senior Subordinated Note due 2010.

10.6 Form of Warrant issued to the Initial Purchasers under the Note Agreement.

31.1 Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

31.2 Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.1 Certain cautionary statements of the Company to be taken into account in conjunction with consideration and review of the Company's publicly-disseminated documents (including oral statements made by others on behalf of the Company) that include forward looking information (included as Exhibit 99.3 to the Company's Current Report on Form 8-K filed on September 17, 2002, and incorporated herein by reference). *

* Previously filed with the Securities and Exchange Commission.

B. Reports on Form 8-K:

None.

SIGNATURES

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

CASUAL MALE RETAIL GROUP, INC.

Date: September 16, 2003

By: /S/ DENNIS R. HERNREICH

Dennis R. Hernreich
Executive Vice President and Chief Financial Officer

Exhibit 10.1

AMENDMENT TO
CONSULTING AGREEMENT

JUNE 29, 2003

WHEREAS, Casual Male Retail Group, Inc., (formerly Designs, Inc., the "Corporation") and Jewelcor Management, Inc. (the "Independent Contractor") entered into a certain Consulting Agreement dated as of April 29, 2000, as amended by Letter Agreement dated April 28, 2001 and by Letter Agreement dated as of April 28, 2002 and by Amendment to Consulting Agreement dated as of April 29, 2003 (hereinafter referred to as the "Agreement"); and

WHEREAS, Corporation and Independent Contractor wish to amend, modify and/or restate certain terms, provisions, conditions and covenants of the Agreement.

NOW THEREFORE, in consideration of the foregoing, and for and in consideration of the mutual promises and covenants set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the Corporation and the Independent Contractor hereby agree to amend the Agreement as follows:

1. Subject to the provisions of Section 4 of the Agreement, the consideration to be furnished to the Independent Contractor by the Corporation for the Services rendered by the Independent Contractor under the Agreement shall consist of (a) annual compensation of $326,000, payable in non-forfeitable, fully paid and non-assessable shares of Common Stock of the Corporation, the number of which shares of Common Stock shall be valued as of, and determined by, the last closing price immediately preceding the Commencement Date, and on each anniversary date thereafter, during the term of the Agreement. (The number of shares of Common Stock of the Corporation equal to $326,000 on April 28, 2003, the date immediately preceding the Commencement Date, is 83,589 at $3.90 per share), and (b) the reimbursement of actual and direct out-of-pocket expenses incurred by the Independent Contractor in the rendering of Services under the Agreement.
2. This Amendment shall be effective as of May 1, 2003.

The remaining terms of the Agreement shall remain in full force and effect without change. For the avoidance of doubt, the parties hereby agree and acknowledge that the foregoing extension does not change the compensation or other rights or obligations of the parties originally provided in the Agreement with respect to any prior period.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Consulting Agreement as a sealed instrument, in any number of counterpart copies, each of which shall be deemed an original for all purposes, as of the day and year first written above.

THE CORPORATION:
CASUAL MALE RETAIL GROUP, INC.

By: /s/ Dennis R. Hernreich

Name: Dennis R. Herenreich
Title: Executive Vice President, Chief Operating Officer, Chief Financial Officer, Treasurer and Secretary

By: /s/ Arlene C. Feldman

Name: Arlene C. Feldman
Title: Assistant Secretary

INDEPENDENT CONTRACTOR:
JEWELCOR MANAGEMENT, INC.

By: /s/ Seymour Holtzman

Name: Seymour Holtzman
Title: Chief Executive Officer

Exhibit 10.2

THIRD AMENDMENT TO
EMPLOYMENT AGREEMENT

WHEREAS, Casual Male Retail Group, Inc., (formerly Designs, Inc., "CMRG") and David A. Levin ("Executive") entered into a certain Employment Agreement dated as of March 31, 2000, as amended by Letter Agreement dated April 10, 2001 and by Second Amendment to Employment Agreement dated January 30, 2003 (hereinafter referred to as the "Agreement"); and

WHEREAS, Company and Executive wish to amend, modify and/or restate certain terms, provisions, conditions, and covenants of the Agreement.

NOW, THEREFORE, in consideration of the foregoing, and of the promises, covenants, conditions and agreements contained herein, and for One Dollar ($1.00) and for other good and valuable consideration, the receipt and sufficiency of which is hereby expressly acknowledged, the Company and Executive hereby agree to amend the Agreement as follows:

1. Section 3 of the Agreement is hereby deleted in its entirety and the following is hereby substituted in lieu thereof:

   "3. COMPENSATION

   As Compensation for the employment services to be rendered by the Executive hereunder; the Company agrees to pay to Executive, and Executive agrees to accept, payable in equal installments in accordance with Company practice an annual base salary of $525,000, effective as of July 1, 2003."

2. Except as herein specifically modified and amended, all of the terms, provisions, conditions, and covenants of the Agreement shall continue in full force and effect and shall be deemed unchanged except to the extent modified and amended herein.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to Employment Agreement as a sealed instrument, in any number of counterpart copies, each of which shall be deemed an original for all purposes, as of the day and year first written below.

CASUAL MALE RETAIL GROUP, INC. (Company)

By:	/s/ Dennis R. Hernreich	July 9, 2003
	Dennis R. Hernreich Executive Vice President, Chief Operating Officer and Chief Financial Officer	Date
By:	/s/ Arlene C. Feldman	July 9, 2003
	Arlene C. Feldman Assistant Secretary	Date

Executive

/s/ David A. Levin	July 9, 2003
David A. Levin	Date

Exhibit 10.3

THIRD AMENDMENT TO
EMPLOYMENT AGREEMENT

WHEREAS, Casual Male Retail Group, Inc., (formerly Designs, Inc., "CMRG") and Dennis R. Hernreich ("Executive") entered into a certain Employment Agreement dated as of August 14, 2000, as amended by Letter Agreement dated April 25, 2001 and by Second Amendment to Employment Agreement dated January 30, 2003 (hereinafter referred to as the "Agreement"); and

WHEREAS, Company and Executive wish to amend, modify and/or restate certain terms, provisions, conditions, and covenants of the Agreement.

NOW, THEREFORE, in consideration of the foregoing, and of the promises, covenants, conditions and agreements contained herein, and for One Dollar ($1.00) and for other good and valuable consideration, the receipt and sufficiency of which is hereby expressly acknowledged, the Company and Executive hereby agree to amend the Agreement as follows:

1. Section 1 of the Agreement is hereby amended to acknowledge that the Board of Directors has granted Executive the title of Executive Vice President, Chief Operating Officer and Chief Financial Officer of the Company.

2. Section 3(a) of the Agreement is hereby deleted in its entirety and the following is hereby substituted in lieu thereof:

   "3. COMPENSATION

   (a) As compensation for the employment services to be rendered by the Executive hereunder, the Company agrees to pay to Executive, and Executive agrees to accept, payable in equal installments in accordance with Company practice, an annual base salary of $393,750, effective as of July 1, 2003."

3. A new Section 8. (i) and 8. (j) shall be added as follows:

   "8. (i) In the event Executive is terminated without justifiable cause (as defined herein) within one (1) year after a Change of Control has occurred, Executive shall receive in full satisfaction of any obligation relating to Executive's employment or the termination thereof the greater of: (a) the base salary for the remaining term of this Agreement, or (b) an amount equal to the current base salary for one (1) year. The Company must make a lump sum payment of all money due and owing within fifteen (15) days of termination.

   8. (j) For the purposes of the paragraph 8, "Change of Control" shall mean (i) any sale of all or substantially all of the assets of the Company to any person or group of related persons within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended ("Group"), (ii) any acquisition by any person or Group of shares of capital stock of the Company representing more than 50% of the aggregate voting power of the outstanding capital stock of the Company entitled under ordinary circumstances to elect the Directors of the Company ("Voting Stock") or (iii) any replacement of a majority of the Board of Directors of the Company over the twelve-month period following the

acquisition of shares of the capital stock of the Company representing more than 10% of the Voting Stock by any person or Group which does not currently own more than 10% of such Voting Stock (unless such replacement shall have been approved by the vote of the majority of the Directors then in office who either were members of the Board of Directors at the beginning of such twelve-month period or whose elections as Directors was previously so approved)."

4. Except as herein specifically modified and amended, all of the terms, provisions, conditions, and covenants of the Agreement shall continue in full force and effect and shall be deemed unchanged except to the extend modified and amended herein.

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment to Employment Agreement as a sealed instrument, in any number of counterpart copies, each of which shall be deemed an original for all purposes, as of the day and year first written below.

CASUAL MALE RETAIL GROUP, INC. (Company)

By:	/s/ David A. Levin	July 9, 2003
	David A. Levin President and Chief Executive Officer	Date
By:	/s/ Arlene C. Feldman	July 9, 2003
	Arlene C. Feldman Assistant Secretary	Date

EXECUTIVE

/s/ Dennis R. Hernreich	July 9, 2003
Dennis R. Hernreich	Date

Exhibit 10.4

NOTE AGREEMENT

NOTE AGREEMENT, dated as of July 2, 2003, among Casual Male Retail Group, Inc., a Delaware corporation (the "Company"), certain subsidiaries of the Company (each a "Guarantor") and the Initial Purchasers identified on the signature pages hereto.

The Company has duly authorized the creation of an issue of 12% Senior Subordinated Notes due 2010 (the "Securities") contemplated to be acquired by the Initial Purchasers net of commission at a price to the Initial Purchasers equal to 96.5% of the principal amount of such Securities.

Each party hereto agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities.

ARTICLE ONE

DEFINITIONS

SECTION 1.01. Definitions.

"Acquired Indebtedness" means Indebtedness of a Person or any of its Restricted Subsidiaries existing at the time such Person becomes a Restricted Subsidiary of the Company or at the time it merges or consolidates with the Company or any of its Subsidiaries or is assumed in connection with the acquisition of assets from such Person and not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary of the Company or such acquisition, merger or consolidation.

An "Affiliate" of a Person means a Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Affiliate Transaction" has the meaning set forth in Section 4.10.

"Asset Acquisition" means

(a) an Investment by the Company or any Restricted Subsidiary of the Company in any other Person pursuant to which such Person shall become a Restricted Subsidiary of the Company or any Restricted Subsidiary of the Company, or shall be merged with or into the Company or any Restricted Subsidiary of the Company, or

(b) the acquisition by the Company or any Restricted Subsidiary of the Company of the assets of any Person which constitute all or substantially all of the assets of such Person, any division or line of business of such Person or any other properties or assets of such Person other than in the Ordinary Course of Business.

"Asset Sale" means any direct or indirect sale, conveyance, transfer, lease (other than operating leases entered into in the Ordinary Course of Business), assignment or other transfer for value by the Company or any of its Restricted Subsidiaries, including any Sale and Leaseback Transaction that does not give rise to a Capitalized Lease Obligation, to any Person other than the Company or a Restricted Subsidiary of the Company of

(a) any Capital Stock of any Restricted Subsidiary of the Company; or

(b) any other property or assets, other than cash or Cash Equivalents, of the Company or any Restricted Subsidiary of the Company other than in the Ordinary Course of Business;

provided, however, that Asset Sales shall not include

(1) a transaction or series of related transactions for which the Company or its Restricted Subsidiaries receive aggregate consideration, exclusive of indemnities, of less than $2 million,

(2) the sale of accounts receivable pursuant to factoring or similar arrangements in the Ordinary Course of Business,

(3) the sale, lease, conveyance, disposition or other transfer of assets in the Ordinary Course of Business,

(4) the sale, lease, conveyance, disposition or other transfer of all or substantially all of the assets of the Company and its Restricted Subsidiaries or any Guarantor as permitted under Section 5.01,

(5) sales, transfers or other dispositions of assets resulting from the creation, incurrence or assumption of (but not any foreclosure with respect to) any Lien not prohibited by Section 4.12,

(6) sales, transfers or other dispositions of assets in a transaction constituting a Permitted Investment or a Restricted Payment permitted by Section 4.02, and

(7) the grant of licenses to third parties in the Ordinary Course of Business of the Company or any of its Restricted Subsidiaries.

"Attributable Debt" in respect of a Sale and Leaseback Transaction consummated subsequent to the Issue Date means, at the time of determination, the present value, discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP, of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

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

"Board of Directors" means, as to any Person, the board of directors of such Person or any duly authorized committee thereof.

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

"Business Day" means any day other than a Saturday, Sunday or any other day on which banking institutions in The City of New York are required or authorized by law or other governmental action to be closed.

"Capital Stock" means (1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents, however designated, of corporate stock, including each class of common stock and preferred stock of such Person and (2) with respect to any Person that is not a corporation, any and all partnership or other equity interests of such Person.

"Capitalized Lease Obligations" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

"Cash Equivalents" means

(1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;

(2) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's;

(3) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's;

(4) certificates of deposit or bankers' acceptances (or, with respect to foreign banks, similar instruments) maturing within one year from the date of acquisition thereof issued by any bank organized under the laws of the United States of America or any state thereof or the District of Columbia or any U.S. branch of a foreign bank having at the date of acquisition thereof combined capital and surplus of not less than $500 million;

(5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (4) above; and

(6) investments in money market funds which invest substantially all their assets in securities of the types described in clauses (1) through (5) above.

"Change of Control" means the occurrence of one or more of the following events:

(1) any sale, lease, exchange or other transfer, in one transaction or a series of related transactions, of all or substantially all of the assets of the Company to any Person or group of

related Persons for purposes of Section 13(d) of the Exchange Act (a "Group") (whether or not otherwise in compliance with the provisions of this Note Agreement);

(2) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company (whether or not otherwise in compliance with the provisions of this Note Agreement);

(3) any Person or Group, other than a Permitted Holder or Permitted Holders, shall become the owner, directly or indirectly, beneficially, of shares representing more than 25% of the aggregate voting power represented by the issued and outstanding Capital Stock of the Company entitled under ordinary circumstances to elect a majority of the directors of the Company;

(4) the replacement of a majority of the Board of Directors of the Company over a two-year period from the directors who constituted the Board of Directors at the beginning of such period, and such replacement shall not have been approved by a vote of at least a majority of the Board of Directors then still in office who either were members of the Board of Directors at the beginning of such period or whose election as a member of the Board of Directors was previously so approved; or

(5) the consolidation or merger of the Company with or into another Person or the merger of another Person with or into the Company, in any case pursuant to a transaction in which the outstanding Capital Stock of the Company is converted into or exchanged for cash, securities or other property other than any such transaction in which the Capital Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for Capital Stock (other than Disqualified Capital Stock) of the resulting or surviving corporation representing more than 25% of the voting power of the then outstanding Capital Stock of the resulting or surviving corporation.

"Change of Control Offer" has the meaning set forth in Section 4.13.

"Change of Control Payment Date" has the meaning set forth in Section 4.13.

"Commission" or "SEC" means the Securities and Exchange Commission, or any successor agency thereto with respect to the regulation or registration of securities.

"Company" means the party named as such in this Note Agreement until a successor replaces it pursuant to this Note Agreement.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its President, a Vice President or its Treasurer, and by an Assistant Treasurer, its Secretary or an Assistant Secretary.

"Consolidated EBITDA" means, with respect to any Person, for any period, the sum (without duplication) of

(1) Consolidated Net Income,

(2) to the extent Consolidated Net Income has been reduced thereby, all losses from Asset Sales or abandonments or reserves relating thereto, and all items classified as extraordinary losses,

(3) Consolidated Interest Expense,

(4) Consolidated Tax Expense, and

(5) Consolidated Non-cash Charges.

"Consolidated Interest Expense" means, with respect to any Person for any period, the sum of, without duplication,

(1) the aggregate of all cash and non-cash interest expense with respect to all outstanding Indebtedness of such Person and its Restricted Subsidiaries, including the net costs associated with Interest Swap Obligations, capitalized interest, and imputed interest with respect to Attributable Debt, for such period determined on a consolidated basis in conformity with GAAP; and

(2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Restricted Subsidiaries during such period as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Restricted Subsidiaries for such period on a consolidated basis, determined in accordance with GAAP; provided, however, that there shall be excluded therefrom

(a) items classified as extraordinary gains or losses, and the related tax effects according to GAAP,

(b) the net loss of any Person, other than a Restricted Subsidiary of the Company,

(c) the net income of any Person, other than a Restricted Subsidiary, in which such Person has an interest, except to the extent of cash dividends or distributions paid to such Person or a Restricted Subsidiary of such Person,

(d) amounts attributable to dividends paid in respect of Qualified Capital Stock to the extent such dividends are paid in shares of Qualified Capital Stock.

"Consolidated Net Worth" of any Person means the consolidated stockholders' equity of such Person, determined on a consolidated basis in accordance with GAAP less (to the extent otherwise included in accordance with GAAP) amounts attributable to Disqualified Capital Stock.

"Consolidated Non-cash Charges" means, with respect to any Person for any period, the aggregate depreciation, amortization and other non-cash expenses of such Person and its Restricted Subsidiaries reducing Consolidated Net Income of such Person and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Senior Debt Ratio" means, with respect to any Person, the ratio of (x) consolidated Senior Debt of such Person at the date of determination giving rise to the need to calculate the Consolidated Senior Debt Ratio (the "Determination Date") to (y) Consolidated EBITDA of such Person during the four full fiscal quarters (the "Four Quarter Period") ending on or prior to the Determination Date. In addition to and without limitation of the foregoing, for purposes of this definition,

"Consolidated EBITDA" and "consolidated Senior Debt" shall be calculated after giving effect on a pro forma basis for the period of such calculation to

(1) the incurrence or repayment or retirement of any Indebtedness of such Person or any of its Restricted Subsidiaries (and the application of the proceeds thereof) at any time subsequent to the last day of the Four Quarter Period and on or prior to the Determination Date (other than the incurrence or repayment of Indebtedness in the Ordinary Course of Business for working capital purposes pursuant to working capital facilities), as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period and

(2) any Asset Sales or Asset Acquisitions (including, without limitation, any Consolidated EBITDA (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Securities Act) attributable to the assets which are the subject of the Asset Acquisition or Asset Sale during the Four Quarter Period) occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Determination Date, as if such Asset Sale or Asset Acquisition (including the incurrence, assumption or liability for any such Indebtedness or Acquired Indebtedness) occurred on the first day of the Four Quarter Period.

"Consolidated Tax Expense" means, with respect to any Person for any period, the aggregate of all taxes of such Person and its Restricted Subsidiaries paid or accrued for such period on a consolidated basis, determined in accordance with GAAP.

"Consolidated Total Debt Ratio" means, with respect to any Person, the ratio of (x) consolidated Indebtedness of such Person at the date of determination giving rise to the need to calculate the Consolidated Total Debt Ratio (the "Determination Date") to (y) Consolidated EBITDA of such Person during the four full fiscal quarters (the "Four Quarter Period") ending on or prior to the Determination Date. In addition to and without limitation of the foregoing, for purposes of this definition, "Consolidated EBITDA" and "consolidated Indebtedness" shall be calculated after giving effect on a pro forma basis for the period of such calculation to

(1) the incurrence or repayment or retirement of any Indebtedness of such Person or any of its Restricted Subsidiaries (and the application of the proceeds thereof) at any time subsequent to the last day of the Four Quarter Period and on or prior to the Determination Date (other than the incurrence or repayment of Indebtedness in the Ordinary Course of Business for working capital purposes pursuant to working capital facilities), as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period and

(2) any Asset Sales or Asset Acquisitions (including, without limitation, any Consolidated EBITDA (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Securities Act) attributable to the assets which are the subject of the Asset Acquisition or Asset Sale during the Four Quarter Period) occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Determination Date, as if such Asset Sale or Asset Acquisition (including the incurrence, assumption or liability for any such Indebtedness or Acquired Indebtedness) occurred on the first day of the Four Quarter Period.

"Credit Agreement" means the Third Amended and Restated Loan and Security Agreement dated as of May 14, 2002, by and among Fleet Retail Finance, Inc., as Administrative Agent

and Collateral Agent, the Lenders identified therein, the Company, as Borrowers' Representative, and the Company and Designs Apparel, Inc., as Borrowers, including all related notes, collateral documents and guarantees in each case as such agreements may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, including any agreement extending the maturity of, increasing the total commitment under, refinancing, replacing or otherwise restructuring (including adding Subsidiaries of the Company as additional borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement or any successor or replacement agreement and whether by the same or any other agent, lender or group of lenders (provided that no refinancing, modification, replacement, renewal, deferral, extension, substitution, supplement, reissuance or resale of the Credit Agreement providing for a stated maturity date of the Indebtedness thereunder later than the Final Maturity Date shall constitute Permitted Indebtedness unless the payment of principal of the Securities at their stated maturity is permitted thereby absent a default or event of default thereunder).

"Currency Agreement" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect the Company or any Restricted Subsidiary against fluctuations in currency values.

"Default" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"Designated Guarantor Senior Debt" means, with respect to any Guarantor, (1) any Indebtedness outstanding under the Credit Agreement to the extent guaranteed by such Guarantor and (2) any other Guarantor Senior Debt permitted under this Note Agreement that has been designated by the Company or such Guarantor as Designated Guarantor Senior Debt in the instrument creating such Indebtedness.

"Designated Non-cash Consideration" means the fair market value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officers' Certificate executed by the principal executive officer and the principal financial officer of the Company or such Restricted Subsidiary.

"Designated Senior Debt" means (1) any Indebtedness outstanding under the Credit Agreement and (2) any other Senior Debt permitted under this Note Agreement that has been designated by the Company as Designated Senior Debt in the instrument creating such Indebtedness.

"Disqualified Capital Stock" means 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 (other than an event which would constitute a Change of Control), matures (excluding any maturity as the result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof (except, in each case, upon the occurrence of a Change of Control), in whole or in part, on or prior to the Final Maturity Date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Event of Default" has the meaning set forth in Section 6.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"fair market value" or "fair value" means, with respect to any asset or property, the price which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing buyer, neither of whom is under pressure or compulsion to complete the transaction. Fair market value shall be determined by the Board of Directors of the Company acting reasonably and in good faith and shall be evidenced by a Board Resolution.

"Final Maturity Date" means July 2, 2010.

"GAAP" is defined to mean generally accepted accounting principles in the United States of America as in effect as of the Issue Date, including, without limitation, those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

"Guarantee" has the meaning set forth in Section 9.01.

"Guarantor" means (i) each of the wholly owned Subsidiaries of the Company as of the date hereof, whether or not indicated on the signature pages hereto (other than Designs Canton Holdings, Inc. and Designs Canton Property Corp.) and (ii) each of the Company's Restricted Subsidiaries organized in the United States that in the future executes a supplemental Note Agreement or other agreement of guaranty in which such Restricted Subsidiary agrees to be bound by the terms hereof as a Guarantor; provided that any Person constituting a Guarantor as described above shall cease to constitute a Guarantor when its respective Guarantee is released in accordance with the terms hereof.

"Guarantor Senior Debt" means the principal of, premium, if any, and interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on any Indebtedness of any Guarantor of the Securities, whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Guarantee of the Securities. Without limiting the generality of the foregoing, "Guarantor Senior Debt" shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, and all other amounts owing in respect of, all monetary obligations (including guarantees thereof) of every nature of any Guarantor of the Securities under the Credit Agreement, including, without limitation, obligations to pay principal and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities. "Guarantor Senior Debt" shall not include

(1) Indebtedness evidenced by a Guarantee of the Securities;

(2) any Indebtedness of such Guarantor of the Securities owing to the Company or to a Subsidiary of the Company;

(3) Indebtedness to, or guaranteed on behalf of, any director, officer or employee of the Company or any Subsidiary of the Company or Affiliate of the Company (including, without limitation, amounts owed for compensation);

(4) trade payables and other current liabilities arising in the Ordinary Course of Business in connection with obtaining goods, materials or services;

(5) Indebtedness represented by Disqualified Stock;

(6) any liability for federal, state, local or other taxes owed or owing by such Guarantor of the Securities;

(7) that portion of any Indebtedness incurred in violation of this Note Agreement;

(8) any Indebtedness other than Indebtedness under the Credit Agreement which is, by its express terms, subordinated in right of payment to any other Indebtedness of such Guarantor of the Securities;

(9) any Indebtedness which, when incurred and without respect to any other election under Section 1111(b) of Title 11, United States Code, is without recourse to such Guarantor of the Securities;

(10) any Indebtedness incurred pursuant to that certain Amended and Restated Note Agreement, dated as of April 26, 2002, and amended and restated as of May 14, 2002, among the Company, the Guarantors (as defined therein) and the Initial Purchasers (as defined therein) (the "2002 Note Agreement"); and

(11) the Company's 5% Subordinated Notes due April 26, 2007.

"Holder" means the Person in whose name a Security is registered on the books and records of the Company.

"incur" means, with respect to any Indebtedness, to, directly or indirectly, create, incur, assume, guarantee, acquire, become liable, contingently or otherwise with respect to, or otherwise become responsible for payment of such Indebtedness.

"Indebtedness" means with respect to any Person, without duplication,

(1) the principal amount of all obligations of such Person for borrowed money,

(2) the principal amount of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments,

(3) all Capitalized Lease Obligations of such Person,

(4) all obligations of such Person to pay the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding accounts payable and other current liabilities arising in the Ordinary Course of Business),

(5) all obligations of such Person for the reimbursement of any obligor on any letter of credit or banker's acceptance,

(6) guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clause (8) below,

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) above which are secured by any Lien on any property or asset of such Person, the amount of such obligation being deemed to be the lesser of the fair market value at such date of any asset

subject to any Lien securing the Indebtedness of others and the amount of the Indebtedness secured,

(8) all obligations under currency agreements relating to Currency Agreements and Interest Swap Obligations of such Person, and

(9) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any.

For purposes hereof, (1) the "maximum fixed repurchase price" of any Disqualified Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Note Agreement, and if such price is based upon, or measured by, the fair market value of such Disqualified Capital Stock, such fair market value shall be determined reasonably and in good faith by the Board of Directors of the issuer of such Disqualified Capital Stock, and (2) accrual of interest, accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Capital Stock in the form of additional shares of the same class of Disqualified Capital Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Capital Stock for purposes of Section 4.03. The amount of Indebtedness of any Person at any date shall be the amount of all unconditional obligations described above, as such amount would be reflected on a balance sheet prepared in accordance with GAAP, and the maximum liability at such date of such Person for any contingent obligations described above.

"Initial Purchasers" means those purchasers of the Securities from the Company pursuant to this Note Agreement indicated on the signature pages hereof.

"Initial Warrants" means those certain detachable warrants to purchase shares of the Company's Common Stock issued to the Initial Purchasers together with the Securities.

"Interest Payment Date" means the stated due date of an installment of interest on the Securities.

"Interest Swap Obligations" means the obligations of any Person, pursuant to any arrangement with any other Person, whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same notional amount.

"Investment" means, with respect to any Person, any direct or indirect loan or other extension of credit (including, without limitation, a guarantee) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any Person. "Investment" shall exclude extensions of trade credit by the Company and its Subsidiaries in the Ordinary Course of Business on commercially reasonable terms. For the purposes of Section 4.02,

(1) "Investment" shall include and be valued at the fair market value of the net assets of any Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary and

(2) the amount of any Investment shall be the original cost of such Investment plus the cost of all additional Investments by the Company or any of its Restricted Subsidiaries, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment, reduced by the payment of dividends or distributions (including tax sharing payments) in connection with such Investment or any other amounts received in respect of such Investment.

If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of any Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed.

"Issue Date" means the original date of issuance of the Securities.

"Joint Venture" means any Person (other than a Subsidiary of the Company) engaged in a Related Business with respect to which at least 35% of such Person's outstanding Capital Stock is owned directly or indirectly by the Company.

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

"Moody's" means Moody's Investor Service, Inc. and its successors.

"Net Cash Proceeds" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (other than the portion of any such deferred payment constituting interest) received by the Company or any of its Restricted Subsidiaries from such Asset Sale net of

(a) all out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions),

(b) taxes paid or payable after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements,

(c) the amounts of

(x) any repayments of debt secured, directly or indirectly, by Liens on the assets which are the subject of such Asset Sale and

(y) any repayments of debt associated with such assets which is due by reason of such Asset Sale (i.e., such disposition is permitted by the terms of the instruments evidencing or applicable to such debt, or by the terms of a consent granted thereunder, on the condition the proceeds (or portion thereof) of such disposition be applied to such debt), and other fees, expenses and other expenditures, in each case,

reasonably incurred as a consequence of such repayment of debt (whether or not such fees, expenses or expenditures are then due and payable or made, as the case may be);

(d) any portion of cash proceeds which the Company determines in good faith should be reserved for post-closing adjustments, it being understood and agreed that on the day that all such post-closing adjustments have been determined, the amount (if any) by which the reserved amount in respect of such Asset Sale exceeds the actual post-closing adjustments payable by the Company or any of its Restricted Subsidiaries shall constitute Net Cash Proceeds on such date;

(e) all amounts deemed appropriate by the Company to be provided as a reserve, in accordance with GAAP ("GAAP Reserves"), against any liabilities associated with such assets which are the subject of such Asset Sale or incurred in connection with such Asset Sale;

(f) all foreign, federal, state and local taxes payable (including taxes reasonably estimated to the payable) in connection with or as a result of such Asset Sale; and

(g) with respect to Asset Sales by Restricted Subsidiaries of the Company, the portion of such cash payments attributable to Persons holding a minority interest in such Restricted Subsidiary.

Notwithstanding the foregoing, Net Cash Proceeds shall not include proceeds received in a foreign jurisdiction from an Asset Sale of an asset located outside the United States to the extent

(1) such proceeds cannot under applicable law be transferred to the United States or

(2) such transfer would result (in the good faith determination of the Board of Directors of the Company) in a foreign tax liability that would be greater than if such Asset Sale occurred in the United States;

provided that if, as, and to the extent that any of such proceeds may lawfully be in the case of clause (1) or are in the case of clause (2) transferred to the United States, such proceeds shall be deemed to be cash payments that are subject to the terms of this definition of Net Cash Proceeds.

"Net Proceeds Offer" has the meaning set forth in Section 4.16.

"Net Proceeds Offer Amount" has the meaning set forth in Section 4.16.

"Net Proceeds Offer Payment Date" has the meaning set forth in Section 4.16.

"Net Proceeds Offer Trigger Date" has the meaning set forth in Section 4.16.

"New Securities" has the meaning set forth in Section 3.05.

"New Series" has the meaning set forth in Section 3.05.

"New Warrants" has the meaning set forth in Section 3.05.

"Note Agreement" means this Note Agreement, dated as of July 2, 2003, by and among the Company, the Guarantors and the Initial Purchasers, as amended from time to time.

"Obligations" means, with respect to any Indebtedness, all principal, interest, premiums, penalties, fees, indemnities, expenses (including legal fees and expenses), reimbursement obligations and

other liabilities payable to the holder of such Indebtedness under the documentation governing such Indebtedness.

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

"Officers' Certificate" means a certificate signed by two Officers of the Company.

"Opinion of Counsel" means a written opinion from legal counsel, which counsel may be counsel to or an employee of the Company.

"Ordinary Course of Business" means, in respect of any transaction involving the Company or any Subsidiary of the Company, the ordinary course of such Person's business, as conducted by any such Person substantially in accordance with past practice and undertaken by such Person in good faith and not for the purposes of evading any covenant or restriction in this Note Agreement, the Securities, the Guarantee and the related documents.

"Pari Passu Indebtedness" means any Indebtedness of the Company or a Guarantor of the Securities ranking pari passu with the Securities or a Guarantee of the Securities, as the case may be, including the Company's 12% Senior Subordinated Notes due April 26, 2007 issued under the 2002 Note Agreement and the Company's 5% Subordinated Notes due April 26, 2007.

"Permitted Holders" means Jewelcor Management, Inc., each Initial Purchaser of Securities, each initial purchaser or the Company's previously outstanding Series B Convertible Preferred Stock, and each of their respective Affiliates.

"Permitted Indebtedness" means, without duplication,

(1) the Securities and the Guarantees thereof,

(2) Indebtedness incurred pursuant to the Credit Agreement in an aggregate principal amount at any time outstanding not to exceed $160 million reduced by any required permanent repayments (which are accompanied by a corresponding permanent commitment reduction) thereunder (excluding any such required permanent repayment and corresponding permanent commitment reduction to the extent refinanced at the time of payment under a replaced Credit Agreement) and less the amount of any prepayment made with the proceeds of an Asset Sale in accordance with Section 4.16,

(3) other Indebtedness of the Company and its Subsidiaries outstanding on the date hereof,

(4) Interest Swap Obligations of the Company or any of its Subsidiaries covering Indebtedness of the Company or any of its Subsidiaries; provided, however, that any Indebtedness to which any such Interest Swap Obligations correspond is otherwise permitted to be incurred under this Note Agreement; provided, further, that such Interest Swap Obligations are entered into, in the judgment of the Company, to protect the Company or any of its Subsidiaries from fluctuation in interest rates on their respective outstanding Indebtedness,

(5) Indebtedness under Currency Agreements,

(6) intercompany Indebtedness owed by the Company to any Wholly Owned Restricted Subsidiary of the Company or by any Restricted Subsidiary of the Company to the Company or any Wholly Owned Restricted Subsidiary of the Company for so long as such Indebtedness is held by the Company or a Wholly Owned Restricted Subsidiary of the Company in each case subject to no Lien held by a Person other than the Company or a Wholly Owned Restricted Subsidiary of the Company; provided, however, that if as of any date any Person other than the Company or a Wholly Owned Restricted Subsidiary of the Company owns or holds any such Indebtedness or holds a Lien in respect of such Indebtedness, such date shall be deemed the incurrence of Indebtedness not constituting Permitted Indebtedness by the issuer of such Indebtedness under this clause (6),

(7) Acquired Indebtedness to the extent the Company could have incurred such Indebtedness in accordance with clause 11 or 12 of this definition on the date such Indebtedness became Acquired Indebtedness,

(8) (A) guarantees by Restricted Subsidiaries pursuant to Section 4.17 or guarantees by Restricted Subsidiaries of Indebtedness of other Restricted Subsidiaries to the extent that such Indebtedness is otherwise permitted under this Note Agreement and (B) guarantees by the Company of its Wholly Owned Restricted Subsidiaries' Indebtedness; provided that such Indebtedness is otherwise permitted to be incurred under this Note Agreement,

(9) guarantees, letters of credit and indemnity agreements relating to performance and surety bonds incurred in the Ordinary Course of Business,

(10) any refinancing, modification, replacement, renewal, deferral, extension, substitution, supplement, reissuance or resale of Indebtedness referred to in clauses (2), (3) or (7) of this definition, including any additional Indebtedness incurred to pay premiums required by the instruments governing such Indebtedness as in effect at the time of issuance thereof ("Required Premiums") and fees in connection therewith; provided, however, that any such event shall not (1) result in an increase in the aggregate principal amount of Permitted Indebtedness (except to the extent such increase is a result of a simultaneous incurrence of additional Indebtedness (A) to pay Required Premiums and related fees or (B) otherwise permitted to be incurred under this Note Agreement) of the Company and its Subsidiaries, (2) create Indebtedness with a stated maturity date earlier than the stated maturity date of the Indebtedness being refinanced or (3) create Indebtedness with a Weighted Average Life to Maturity at the time such Indebtedness is incurred that is less than the Weighted Average Life to Maturity at such time of the Indebtedness being refinanced, modified, replaced, renewed, deferred, extended, or substituted, supplemented, reissued or resold (provided that no refinancing, modification, replacement, renewal, deferral, extension, substitution, supplement, reissuance or resale of the Credit Agreement providing for a stated maturity date of the Indebtedness thereunder later than the Final Maturity Date shall constitute Permitted Indebtedness unless the payment of the principal of the Securities at their stated maturity is permitted thereby absent a default or event of default thereunder),

(11) additional Indebtedness of the Company or any Restricted Subsidiary if (a) no Default or Event of Default shall have occurred and be continuing at the time of the proposed incurrence thereof or shall occur as a result of such proposed incurrence and (b) after giving effect to such proposed incurrence the Consolidated Senior Debt Ratio would not be greater than 2.5 to 1,

(12) New Securities in an aggregate principal amount at any time outstanding not to exceed $35 million, including any New Securities issued in exchange for the Securities pursuant to Section 3.05, and

(13) additional Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed $10 million at any one time outstanding.

"Permitted Investments" means

(1) Investments by the Company or any Restricted Subsidiary of the Company in, or for the benefit of, any Restricted Subsidiary of the Company (whether existing on the Issue Date or created thereafter and including Investments in any Person, if after giving effect to such Investment, such Person would be a Restricted Subsidiary of the Company or such Person is merged, consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company) and Investments in, or for the benefit of, the Company by any Restricted Subsidiary of the Company;

(2) cash and Cash Equivalents;

(3) Investments existing on the Issue Date;

(4) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers or in settlement of or other resolution of claims or disputes, and in each case, extensions, modifications and remands thereof;

(5) so long as no Default or Event of Default has occurred and is continuing, loans and advances by the Company and its Restricted Subsidiaries to their respective employees not to exceed $1 million at any one time outstanding;

(6) Investments received by the Company or its Restricted Subsidiaries as consideration for asset sales, including Asset Sales; provided, however, in the case of an Asset Sale, such Asset Sale is effected in compliance with Section 4.16;

(7) Currency Agreements and Interest Swap Obligations entered into in the ordinary course of the Company's or its Restricted Subsidiaries' business and otherwise in compliance with this Note Agreement;

(8) guarantees by the Company or any of its Restricted Subsidiaries of Indebtedness or other obligations otherwise permitted to be incurred by the Company or any of its Restricted Subsidiaries under this Note Agreement;

(9) so long as no Default or Event of Default has occurred and is continuing, Investments in Joint Ventures not to exceed $25 million at any one time outstanding; and

(10) any Investments received in exchange for the issuance of Qualified Capital Stock of the Company or any warrants, rights or options to purchase or acquire shares of any such Qualified Capital Stock.

"Permitted Junior Securities" means

(1) Qualified Capital Stock of the Company or any Guarantor; or

(2) debt securities that are subordinated to (a) all Senior Debt or Guarantor Senior Debt and (b) any debt securities issued in exchange for Senior Debt or Guarantor Senior Debt to substantially the same extent as, or to a greater extent than, the Securities and the Guarantees of the Securities are subordinated to Senior Debt and Guarantor Senior Debt, respectively, under this Note Agreement.

"Permitted Liens" means

(1) Liens securing Indebtedness consisting of Capitalized Lease Obligations;

(2) Liens securing any Senior Debt or Guarantor Senior Debt, including liens securing the Credit Agreement;

(3) Liens on property existing at the time of acquisition thereof by the Company or a Restricted Subsidiary; provided that such Liens were in existence prior to the contemplation of such acquisition;

(4) Liens at any time outstanding with respect to assets of the Company and its Restricted Subsidiaries, the fair market value of which at the time the Lien was imposed does not exceed $2 million;

(5) Liens securing Indebtedness incurred pursuant to clauses (9) or (13) of the definition of Permitted Indebtedness; or

(6) Liens created to replace Liens described in clause (3) above to the extent that such Liens do not extend beyond the originally encumbered property (other than improvements thereto or thereon, attachments and other modifications reasonably required to maintain such property) and are not otherwise materially less favorable to the Company and its Restricted Subsidiaries than the Liens being replaced, as determined by the Board of Directors of the Company in good faith.

"Person" means an individual, partnership, corporation, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Preferred Stock" of any Person means any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemptions or upon liquidation.

"principal" of any Indebtedness (including the Securities) means the principal amount of such Indebtedness plus the premium, if any, on such Indebtedness.

"pro forma" means, with respect to any calculation made or required to be made pursuant to the terms of this Note Agreement, a calculation in accordance with Article II of Regulation S-X under the Securities Act.

"Pro Rata Share" has the meaning set forth in Section 4.16.

"Productive Assets" means assets of a kind used or usable in the business of the Company and its Restricted Subsidiaries as conducted on the date of the relevant Asset Sale or in a

Related Business (including Capital Stock in any such business or Related Business and licenses or similar rights to operate); provided, however, that accounts receivable acquired as part of an acquisition of assets of a kind used or usable in such business shall be deemed to be Productive Assets.

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock.

"Record Date" means the applicable Record Date (whether or not a Business Day) specified in the Securities.

"Redemption Date," when used with respect to any Security to be redeemed, means the date fixed for such redemption pursuant to this Note Agreement and the Securities.

"Redemption Price," when used with respect to any Security to be redeemed, means the price fixed for such redemption, payable in immediately available funds, pursuant to this Note Agreement and the Securities.

"Related Business" means the businesses of the Company and its Restricted Subsidiaries as conducted on the Issue Date and similar, complementary or related businesses or reasonable extensions, developments or expansions thereof.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Payment" has the meaning set forth in Section 4.02.

"Restricted Security" has the meaning set forth in Rule 144(a)(3) under the Securities Act.

"Restricted Subsidiary" of any Person means any Subsidiary of such Person which at the time of determination is not an Unrestricted Subsidiary.

"S&P" means Standard & Poor's, a division of the McGraw-Hill Companies, and its successors.

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party, providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person from whom funds have been or are to be advanced by such Person on the security of such Property; provided, however, that a Sale and Leaseback Transaction shall not include a transaction or series of related transactions for which the Company or its Restricted Subsidiaries receive aggregate consideration (exclusive of indemnities) of less than $2 million (a "De Minimis Transaction") so long as the aggregate consideration (exclusive of indemnities) received by the Company or its Restricted Subsidiaries from all De Minimis Transactions does not exceed an aggregate of $2 million.

"Securities" has the meaning set forth in the recitals of this Agreement.

"Securities Act" means the Securities Act of 1933, as amended, or any successor statute or statutes thereto.

"Securityholder" or "Holder" means the Person in whose name a Security is registered on the books of the Company.

"Senior Debt" means the principal of, premium, if any, and interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on any Permitted Indebtedness of the Company, whether outstanding on the Issue Date or thereafter created, incurred or assumed as permitted under this Note Agreement, unless, in the case of any particular Permitted Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Permitted Indebtedness shall not be senior in right of payment to the Securities. Without limiting the generality of the foregoing, "Senior Debt" shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, and all other amounts owing in respect of, all monetary obligations (including guarantees thereof) of every nature of the Company under the Credit Agreement, including, without limitation, obligations to pay principal and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities. "Senior Debt" shall not include

(1) Indebtedness evidenced by the Securities;

(2) any Pari Passu Indebtedness;

(3) any Indebtedness of the Company to a Subsidiary of the Company;

(4) Indebtedness to, or guaranteed on behalf of, any director, officer or employee of the Company or of any Subsidiary of the Company or Affiliate of the Company (including, without limitation, amounts owed for compensation);

(5) trade payables and other current liabilities arising in the Ordinary Course of Business in connection with obtaining goods, materials or services;

(6) any liability for federal, state, local or other taxes owed or owing by the Company;

(7) that portion of any Indebtedness incurred in violation of this Note Agreement;

(8) any Indebtedness other than Indebtedness under the Credit Agreement which is, by its express terms, subordinated in right of payment to any other Indebtedness of the Company; and

(9) any Indebtedness which, when incurred and without respect to any other election under Section 1111(b) of Title 11, United States Code, is without recourse to the Company.

"Subsidiary," with respect to any Person, means (i) any corporation of which the outstanding Capital Stock having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances shall at the time be owned, directly or indirectly, by such Person, or (ii) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

"Surviving Entity" has the meaning set forth in Section 5.01.

"Unrestricted Subsidiary" of any Person means

(1) any Subsidiary of such Person that at the time of determination shall be or continue to be designated an Unrestricted Subsidiary by the Board of Directors of such Person in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Subsidiary (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of, or owns or holds any Lien on any property of, the Company or any other Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; provided, however, that each Subsidiary to be so designated and each of its Subsidiaries has not at the time of designation, and does not thereafter, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which the lender has recourse to any of the assets of the Company or any of its Restricted Subsidiaries except to the extent permitted by Section 4.03.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary only if

(x) immediately after giving effect to such designation, the Company is able to incur at least $1.00 of additional Permitted Indebtedness and

(y) immediately before and immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing.

Any such designation by the Board of Directors shall be evidenced by the resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"U.S. Government Obligations" means direct obligations of and obligations guaranteed by the United States of America for the payment of which the full faith and credit of the United States of America is pledged.

"U.S. Legal Tender" means 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.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing

(a) the then outstanding aggregate principal amount of such Indebtedness into

(b) the sum of the total of the products obtained by multiplying

(1) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by

(2) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

"Wholly Owned Restricted Subsidiary" of any Person means any Restricted Subsidiary of such Person of which all the outstanding voting securities (other than directors' qualifying shares) are owned by such Person or any Wholly Owned Restricted Subsidiary of such Person.

SECTION 1.02. Rules of Construction.

Unless the context otherwise requires:

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

(2) "or" is not exclusive;

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

(4) provisions apply to successive events and transactions; and

(5) "herein," "hereof" and other words of similar import refer to this Note Agreement as a whole and not to any particular Article, Section or other subdivision.

ARTICLE TWO
THE SECURITIES

SECTION 2.01. Form and Dating.

The Securities shall be substantially in the form of Exhibit A hereto. Each Security shall have an executed Guarantee from each of the Guarantors endorsed thereon substantially in the form of Exhibit B hereto.

Upon any transfer provided for in Section 2.05, the Company shall execute and deliver to the Person specified by the Assignment Form attached to such Security a new Security in such names and in such authorized denominations as such Assignment Form. Thereupon, the beneficial ownership of such Security shown on the records maintained by the Company shall be amended to reflect such transfer.

The Company shall act as registrar to maintain a record of the issuance, registered transfer and registered Holder of each Security.

SECTION 2.02. Replacement Securities.

If a mutilated Security is surrendered to the Company or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Company shall issue a replacement Security if the Company's requirements are met. If required by the Company, such Holder shall provide an indemnity bond or other indemnity, sufficient in the judgment of the Company, to protect the Company and the Guarantors from any loss which any of them may suffer if a Security is replaced. The Company may charge such Holder for its reasonable out-of-pocket expenses in replacing a Security, including reasonable fees and expenses of counsel. Every replacement Security shall constitute an additional obligation of the Company and every replacement Guarantee shall constitute an additional obligation of the Guarantors.

SECTION 2.03. Treasury Securities.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or any of its Affiliates shall be disregarded.

SECTION 2.04. Defaulted Interest.

The Company will pay interest on overdue principal from time to time on demand at the rate of interest then borne by the Securities. The Company shall, to the extent lawful, pay interest on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the rate of interest then borne by the Securities. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and, in the case of a partial month, the actual number of days elapsed.

If the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest, plus (to the extent lawful) any interest payable on the defaulted interest, to the Persons who are Holders.

SECTION 2.05 Assignment and Transfer.

Neither any Security nor any beneficial interest therein may be sold, assigned or otherwise transferred except (a) in a principal amount of not less than $250,000, (b) in accordance with applicable securities laws (as referenced in the restrictive legend appearing on the form of Security), (c) by due execution and delivery of the Form of Assignment attached to such Security, and (d) with the consent of the Company, which consent shall not unreasonably be withheld.

ARTICLE THREE

REDEMPTION AND EXCHANGE

SECTION 3.01. Notices.

If the Company elects to redeem Securities pursuant to the optional redemption provisions of Paragraph 4 or Paragraph 5 of the Securities, it shall notify the Holders in writing of the Redemption Date, the Redemption Price and the principal amount of Securities to be redeemed at least 15 days but not more than 30 days before the Redemption Date together with an Officers' Certificate and an Opinion of Counsel stating that such redemption will comply with the conditions contained herein. Any such notice may be cancelled at any time prior to notice of such redemption being mailed to any Holder and shall thereby be void and of no effect.

SECTION 3.02. Selection of Securities To Be Redeemed.

In the event that less than all of the Securities are to be redeemed at any time pursuant to the optional redemption provisions of Paragraph 4 or Paragraph 5 of the Securities, selection of such Securities for redemption will be made by the Company on a pro rata basis among all of the Holders (based upon the relative principal amounts of Securities held by each such Holder).

The Company may select for redemption portions of the principal amount at maturity of the Securities that have denominations larger than $1,000. Securities and portions of them that the Company selects shall be in principal amounts at maturity of $1,000 or a multiple thereof. Provisions of this Note Agreement that apply to Securities called for redemption also apply to portions of Securities called for redemption.

SECTION 3.03. Effect of Notice of Redemption.

Unless the Company defaults in the payment when due of such Redemption Price plus accrued interest, if any, interest on the Securities to be redeemed will cease to accrue on and after the applicable Redemption Date, whether or not such Securities are presented for payment.

SECTION 3.04. Securities Redeemed in Part.

Upon surrender and cancellation of a Security that is to be redeemed in part only, the Company shall deliver to the Holder a new Security or Securities in a principal amount equal to the unredeemed portion of the Security surrendered.

SECTION 3.05. Optional Exchange of the Securities.

Upon the sale by the Company, on or before October 31, 2003, of any series of newly issued senior or junior subordinated notes or preferred stock of the Company in an aggregate principal amount or liquidation preference of at least $7 million (such newly issued subordinated notes or preferred stock, "New Securities"), whether or not sold together with certain newly issued detachable warrants to purchase shares of the Company's Common Stock (such newly issued warrants, "New Warrants", and each such series of New Securities together with New Warrants (if any), a "New Series"):

(a) each Holder may, at such Holder's option, surrender to the Company all of such Holder's Securities together with all of the Initial Warrants issued in connection with the Securities surrendered, and the Company shall deliver to such Holder, in exchange for such Securities and Initial Warrants surrendered, New Securities and New Warrants, on the same basis and subject to the same terms and conditions applicable to third party purchasers of New Securities and New Warrants of such New Series, as if such Holder had purchased such New Securities and New Warrants for a purchase price equal to the sum of (x)(i) the purchase price paid by the Initial Purchaser for the Securities and Initial Warrants so surrendered by such Holder and (ii) all accrued and unpaid interest on such Securities *plus* (y) the amount of any commission payable by the Company in respect of the sale to third party purchasers of securities of such New Series yielding net proceeds to the Company equal to the sum of (x)(i) and (ii) above; or

(b) each Holder may, at such Holder's option, surrender to the Company all of such Holder's Initial Warrants, and the Company shall deliver to such Holder, in exchange for such Initial Warrants surrendered, warrants with respect to the same number of shares of the Company's Common Stock and subject to the same terms and conditions as such Initial Warrants but having an exercise price per share equal to the exercise price per share provided in the New Warrants;

provided that a Holder electing to exercise its option under clause (a) or clause (b) must provide the Company with irrevocable written notice of such election in accordance with Section 11.01, together with such surrendered Securities and/or surrendered Initial Warrants, on or before the tenth day following the date on which the series to which such New Securities and/or New Warrants relate becomes a New Series.

ARTICLE FOUR

COVENANTS

SECTION 4.01. Payment of Securities.

The Company will pay the principal of and interest on the Securities in the manner provided in the Securities and in this Note Agreement. Interest including defaulted interest, if any, will be computed on the basis of a 360-day year comprised of twelve 30-day months and in the case of a partial month, the actual number of days elapsed. The interest rate in respect of any overdue installment of interest on the Securities which is not paid when due by virtue of Article 8 hereof shall be increased by 500 basis points, to a rate of 17% per annum.

Notwithstanding anything to the contrary contained in this Note Agreement, the Company may, to the extent it is required to do so by law, deduct or withhold income or other similar taxes imposed by the United States of America from principal, premium or interest payments hereunder.

SECTION 4.02. Limitation on Restricted Payments.

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly,

(a) declare or pay any dividend or make any distribution (other than dividends or distributions payable in Qualified Capital Stock of the Company or in warrants, rights or options to acquire Qualified Capital Stock of the Company) on or in respect of shares of the Company's Capital Stock to holders of such Capital Stock,

(b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company or any warrants, rights or options to purchase or acquire shares of any class of such Capital Stock, other than the exchange of such Capital Stock, warrants, rights or options for Qualified Capital Stock and/or for warrants, rights or options to acquire Qualified Capital Stock, or

(c) make any Investment (other than Permitted Investments)

(each of the foregoing actions set forth in clauses (a), (b) and (c) being referred to as a "Restricted Payment"), if at the time of such Restricted Payment or immediately after giving effect thereto,

(1) a Default or an Event of Default shall have occurred and be continuing,

(2) the Company could not incur at least $1.00 of Indebtedness pursuant to Section 4.03, or

(3) the aggregate amount of Restricted Payments made subsequent to the Issue Date shall exceed the sum of:

(x) 50% of the cumulative Consolidated Net Income, or if cumulative Consolidated Net Income shall be a loss, minus 100% of such loss, of the Company earned subsequent to the Issue Date and on or prior to the last day of the most recent

fiscal quarter for which financial statements are available prior to such proposed Restricted Payments, treating such period as a single accounting period, plus

(y) 100% of the aggregate Net Cash Proceeds received by the Company from any Person from the issuance and sale subsequent to the Issue Date and on or prior to the date the Restricted Payment occurs of Qualified Capital Stock, or in respect of warrants, rights or options to acquire Qualified Capital Stock, excluding Qualified Capital Stock issued upon the conversion of, or in exchange for, Capital Stock of the Company or its Subsidiaries.

Notwithstanding the foregoing, the provisions set forth in the immediately preceding paragraph shall not prohibit

(1) the payment of any dividend or distribution or the redemption of any securities within 60 days after the date of declaration of such dividend or distribution or the giving of formal notice by the Company of such redemption, if the dividend or distribution would have been permitted on the date of declaration or the redemption would have been permitted on the date of the giving of the formal notice thereof; and

(2) the repurchase of any Capital Stock of the Company or any warrants, rights or options to purchase or acquire shares of any such Capital Stock deemed to occur upon the exercise of stock options to acquire Qualified Capital Stock or other similar arrangements to acquire Qualified Capital Stock if such repurchased Capital Stock or warrants, rights or options to acquire shares of any such Capital Stock represent a portion of the exercise price thereof.

SECTION 4.03. Limitation on Incurrence of Additional Indebtedness.

The Company will not, and will not permit any of its Restricted Subsidiaries to, incur any Indebtedness, other than Permitted Indebtedness.

Neither the Company nor any Guarantor will, directly or indirectly, in any event incur any Indebtedness other than Indebtedness under the Credit Agreement which, by its terms or by the terms of any agreement governing such Indebtedness, is both subordinated pursuant to its terms in right of payment to any other Indebtedness of the Company or such Guarantor, as the case may be, and senior in right of payment to the Securities or any such Guarantor's Guarantee, as the case may be.

SECTION 4.04. Corporate Existence.

Except as otherwise permitted by Article Five, the Company shall do or cause to be done, at its own cost and expense, all things necessary to preserve and keep in full force and effect its corporate existence and the corporate, partnership or other existence of each of the Subsidiaries in accordance with the respective organizational documents of the Company or the Subsidiary, as the case may be, and the rights (charter and statutory) and material franchises of the Company and each of the Subsidiaries; provided, however, that the Company shall not be required to preserve any such right or franchise, or the corporate existence of any Subsidiary, if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and each of the Subsidiaries, taken as a whole and that the loss thereof is not adverse in any material respect to the Holders.

SECTION 4.05. 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, (a) all material taxes, assessments and governmental charges levied or imposed upon it or any of the Subsidiaries or upon the income, profits or property of it or any of the Subsidiaries and (b) all lawful claims for labor, materials and supplies which, in each case, if unpaid, might by law become a material liability or Lien upon the property of it or any of the Subsidiaries; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate provision has been made or for which adequate reserves, to the extent required under GAAP, have been taken.

SECTION 4.06. Maintenance of Properties and Insurance.

(a) The Company shall cause all material properties owned by or leased by it or any of its Subsidiaries used or useful to the conduct of its business or the business of any of its Subsidiaries to be maintained and kept in normal condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals and replacements thereof, all as in its judgment may be reasonably necessary, so that the business carried on in connection therewith may be properly conducted at all times; provided, however, that nothing in this Section 4.06 shall prevent the Company or any of the Subsidiaries from discontinuing the use, operation or maintenance of any of such properties, or disposing of any of them, if such properties are, in the reasonable and good faith judgment of the Board of Directors of the Company or such Subsidiary, as the case may be, no longer reasonably necessary in the conduct of their respective businesses or such disposition is otherwise permitted by this Note Agreement.

(b) The Company shall provide or cause to be provided, for itself and each of its Subsidiaries, insurance (including appropriate self-insurance) against loss or damage of the kinds that, in the reasonable, good faith judgment of the Board of Directors of the Company, are adequate and appropriate for the conduct of the business of the Company and such Subsidiaries in a prudent manner, with reputable insurers or with the government of the United States of America or an agency or instrumentality thereof, in such amounts, with such deductibles and by such methods as shall be customary, in the good faith judgment of the Board of Directors of the Company, for companies similarly situated in the industry.

SECTION 4.07. Compliance Certificate; Notice of Default.

(a) The Company shall deliver to the Holders, within 90 days after the end of each of the Company's fiscal years, an Officers' Certificate (signed by the principal executive officer, principal financial officer and principal accounting officer) stating that a review of its activities and the activities of its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing officers with a view to determining whether it has kept, observed, performed and fulfilled its obligations under this Note Agreement and further stating, as to each such officer signing such certificate, that to the best of his knowledge the Company during such preceding fiscal year has kept, observed, performed and fulfilled each and every such obligation and no Default or Event of Default has occurred during such year and at the date of such certificate there is no Default or Event of Default that has occurred and is continuing or, if such signers do know of such Default or Event of Default, the certificate shall describe the Default or Event of Default and its status in reasonable detail.

(b) So long as any of the Securities are outstanding, if any Default or Event of Default has occurred and is continuing, the Company shall promptly deliver to the Holders an Officers' Certificate specifying such event, notice or other action within 10 Business Days of its becoming aware of such occurrence.

SECTION 4.08. Compliance with Laws.

The Company will comply, and will cause each of the Subsidiaries to comply, with all applicable statutes, rules, regulations, orders and restrictions of the United States, all states and municipalities thereof, and of any governmental department, commission, board, regulatory authority, bureau, agency and instrumentality of the foregoing, in respect of the conduct of their respective businesses and the ownership of their respective properties, except for such noncompliances as are being contested in good faith and by appropriate proceedings and except for such noncompliances as would not in the aggregate have a material adverse effect on the financial condition or results of operations of the Company and its Subsidiaries taken as a whole.

SECTION 4.09. Commission Reports.

(a) The Company will deliver to the Holders promptly, but in any event no later than 15 days after it files with the Commission, copies of the quarterly and annual reports and of the information, documents and other reports, if any, which the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act.

(b) Regardless of whether the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company (at its own expense) shall cause its consolidated financial statements, comparable to those which would have been required to appear in annual or quarterly reports, to be delivered to the Holders.

SECTION 4.10. Limitations on Transactions with Affiliates.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions with any of its Affiliates (an "Affiliate Transaction"), other than

(x) Affiliate Transactions permitted under the next paragraph and

(y) Affiliate Transactions on terms that are no less favorable to the Company or such Restricted Subsidiary than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate;

provided, however, that for a transaction or series of related transactions with an aggregate value of $1 million or more, such determination shall be made in good faith by a majority of the disinterested members of the Board of the Directors of the Company.

The foregoing restrictions shall not apply to

(1) reasonable fees and compensation paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company or any Subsidiary as determined in good faith by the Company's Board of Directors;

(2) transactions between or among the Company and any of its Restricted Subsidiaries so long as no portion of the minority interest in such Restricted Subsidiary is owned by an Affiliate of the Company (other than a Wholly Owned Subsidiary of the Company or directors or officers of such Subsidiary that hold stock of such Subsidiary to the extent that local law requires a resident of such jurisdiction to own stock of such company) or between or among such

Restricted Subsidiaries; provided such transactions are not otherwise prohibited by this Note Agreement;

(3) any agreement, understanding or arrangement in effect as of the Issue Date or any amendment thereto or any transaction contemplated thereby (including pursuant to any amendment thereto) or in any replacement agreement thereto so long as any such amendment or replacement agreement is not more disadvantageous to the Holders in any material respect, taken as a whole, than the original agreement as in effect on the Issue Date;

(4) Permitted Investments and Restricted Payments permitted by this Note Agreement; and

(5) commercially reasonable transactions between the Company or a Restricted Subsidiary and any Joint Venture in the Ordinary Course of Business that have been determined by the Board of Directors of the Company to comply with clause (y) of the first paragraph above.

SECTION 4.11. Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to

(a) pay dividends or make any other distributions on or in respect of its Capital Stock;

(b) make loans or advances to or pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary of the Company; or

(c) transfer any of its property or assets to the Company or any other Restricted Subsidiary of the Company,

except for such encumbrances or restrictions existing under or by reason of:

(1) applicable law and agreements with governmental authorities with respect to assets located in their jurisdiction,

(2) the Securities, this Note Agreement or any Guarantee,

(3) the Company's 12% Senior Subordinated Notes due April 26, 2007, the 2002 Note Agreement or any Guarantee thereunder,

(4) (A) customary provisions restricting (1) the subletting or assignment of any lease or (2) the transfer of copyrighted or patented materials, (B) provisions in agreements that restrict the assignment of such agreements or rights thereunder or (C) provisions of a customary nature contained in the terms of Capital Stock restricting the payment of dividends and the making of distributions on Capital Stock,

(5) any agreement or instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than (a) the Person or the properties or assets of the Person so acquired (including the Capital Stock of such Person), or (b) any Restricted Subsidiary having no assets other than

(i) the Person or the properties or assets of the Person so acquired (including the Capital Stock of such Person) and (ii) other assets having a fair market value not in excess of $2 million, and, in each case, the monetary proceeds thereof,

(6) any agreement or instrument governing Senior Debt or Guarantor Senior Debt, including the Credit Agreement,

(7) any agreement or instrument governing Indebtedness incurred pursuant to clause (12) of the definition of Permitted Indebtedness,

(8) restrictions on the transfer of assets subject to any Lien permitted under this Note Agreement,

(9) restrictions imposed by any agreement to sell assets not in violation of this Note Agreement to any Person pending the closing of such sale,

(10) customary rights of first refusal with respect to the Company's and its Restricted Subsidiaries' interests in their respective Restricted Subsidiaries and Joint Ventures,

(11) Indebtedness of a Person that was a Restricted Subsidiary at the time of incurrence and the incurrence of which Indebtedness is permitted by Section 4.03; provided that such encumbrances and restrictions apply only to such Restricted Subsidiary and its assets; and provided, further, that the Board of Directors of the Company has determined in good faith, at the time of creation of each such encumbrance or restriction, that such encumbrances and restrictions would not singly or in the aggregate have a materially adverse effect on the Holders of the Securities,

(12) the subordination of any Indebtedness owed by the Company or any of its Restricted Subsidiaries to the Company or any other Restricted Subsidiary to any other Indebtedness of the Company or any of its Restricted Subsidiaries; provided (A) such other Indebtedness is permitted under this Note Agreement and (B) the Board of Directors of the Company has determined in good faith, at the time of creation of each such encumbrance or restriction, that such encumbrances and restrictions would not singly or in the aggregate have a materially adverse effect on the Holders of the Securities, or

(13) an agreement effecting a refinancing, replacement or substitution of Indebtedness issued, assumed or incurred pursuant to an agreement referred to in clauses (2), (3), (5) and (6) above or any other agreement evidencing Indebtedness permitted under this Note Agreement; provided, however, that the provisions relating to such encumbrance or restriction contained in any such refinancing, replacement or substitution agreement or any such other agreement are not less favorable to the Company in any material respect as determined by the Board of Directors of the Company than the provisions of the Indebtedness being refinanced.

SECTION 4.12. Limitation on Liens.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien securing Indebtedness (other than Permitted Liens) upon any property or asset now owned or hereafter acquired by them, or any income or profits therefrom, or assign or convey any right to receive income therefrom; provided, however, that in addition to creating Permitted Liens on their properties or assets, the Company and any of its Restricted Subsidiaries may create any Lien securing Indebtedness upon any of their properties and assets

(including, but not limited to, any Capital Stock of its Subsidiaries) if the Securities are equally and ratably secured.

SECTION 4.13. Change of Control.

(a) Upon the occurrence of a Change of Control, each Holder will have the right to require that the Company repurchase all or a portion of such Holder's Securities, at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase.

(b) Prior to the mailing of the notice described in paragraph (c) below, but in any event within 30 days following any Change of Control, the Company covenants to use reasonable efforts in good faith to obtain the requisite consents under the Credit Agreement and all such other Senior Debt to permit the purchase of the Securities as provided below.

The Company shall first comply with the covenant in the immediately preceding sentence before it shall be required to repurchase Securities pursuant to the provisions described below. The Company's failure to comply with this Section 4.13 if such consents are not obtained despite such efforts shall not constitute an Event of Default.

(c) Within 10 days following the date upon which a Change of Control occurred, the Company shall send, by first class mail, a notice to each Holder, which notice shall govern the terms of the Change of Control offer to purchase (the "Change of Control Offer"). The notice to the Holders shall contain all instructions and materials necessary to enable such Holders to tender Securities pursuant to the Change of Control Offer. Such notice shall state:

(1) that the Change of Control Offer is being made pursuant to this Section 4.13 and that all Securities tendered and not withdrawn will be accepted for payment;

(2) the purchase price (including the amount of accrued interest) and the purchase date, which shall be no earlier than 30 days nor later than 45 days from the date such notice is mailed, other than as may be required by law (the "Change of Control Payment Date");

(3) that any Security not tendered will continue to accrue interest;

(4) that, unless the Company defaults in making payment therefor, any Security accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have a Security purchased pursuant to a Change of Control Offer will be required to surrender the Security, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Security completed, to the Company at the address specified in the notice prior to 5:00 p.m. New York City time on the third Business Day prior to the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Company receives, not later than 5:00 p.m. New York time on the second Business Day prior to the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Securities the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Security purchased;

(7) that Holders whose Securities are purchased only in part will be issued new Securities in a principal amount equal to the unpurchased portion of the Securities surrendered; and

(8) the circumstances and relevant facts regarding such Change of Control.

On or before the Change of Control Payment Date, the Company shall accept for payment Securities or portions thereof tendered (in integral multiples of $1,000) pursuant to the Change of Control Offer. The Company shall promptly mail to the Holders of Securities so accepted payment in an amount equal to the purchase price plus accrued and unpaid interest, if any, thereon to the Change of Control Payment Date and shall promptly mail to such Holders new Securities equal in principal amount to any unpurchased portion of the Securities surrendered. Any Securities not so accepted shall be promptly mailed by the Company to the Holder thereof.

The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent, if any, such laws and regulations are applicable in connection with the repurchase of Securities pursuant to a Change of Control Offer. To the extent the provisions of any securities laws or regulations conflict with the provisions under this Section 4.13, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.13 by virtue thereof.

SECTION 4.14. Limitation on Preferred Stock of Restricted Subsidiaries.

The Company will not permit any of its Restricted Subsidiaries that are not Guarantors of the Securities to issue any Preferred Stock (other than to the Company or to a Wholly Owned Restricted Subsidiary of the Company) or permit any Person (other than the Company or a Wholly Owned Restricted Subsidiary of the Company) to own any Preferred Stock of any Restricted Subsidiary of the Company that is not a Guarantor of the Securities.

SECTION 4.15. Limitation on Sale and Leaseback Transactions.

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; provided that the Company and any Guarantor may enter into a Sale and Leaseback Transaction if

(1) the Company or such Guarantor could have

(a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such Sale and Leaseback Transaction pursuant to Section 4.03 and

(b) incurred a Lien to secure such Indebtedness pursuant to Section 4.12,

(2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the fair market value, as determined in good faith by the Board of Directors and set forth in an Officers' Certificate, of the property that is the subject of such Sale and Leaseback Transaction and

(3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company or the applicable Guarantor applies the proceeds of such transaction in accordance with, Section 4.16.

SECTION 4.16. Limitation on Asset Sales.

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless

(1) the Company or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least substantially equal to the fair market value of the assets sold or otherwise disposed of (taking into account any associated liabilities and other considerations), as determined in good faith by the Company's Board of Directors, and

(2) upon the consummation of an Asset Sale, the Company shall apply directly or through a Restricted Subsidiary, or cause such Restricted Subsidiary to apply, the Net Cash Proceeds relating to such Asset Sale within 360 days of receipt thereof either (A) to repay Senior Debt (and in the case of any Indebtedness outstanding under a revolving credit facility, to permanently reduce the amounts that may be reborrowed thereunder by an equivalent amount), with the Net Cash Proceeds received in respect thereof, (B) to reinvest in Productive Assets, or (C) a combination of prepayment, reduction and investment permitted by the foregoing clauses (2)(A) and (2)(B);

On the 361st day after an Asset Sale or such earlier date, if any, as the Board of Directors of the Company or of such Restricted Subsidiary determines not to apply the Net Cash Proceeds relating to such Asset Sale as set forth in clauses (2)(A), (2)(B) and (2)(C) of the preceding sentence (each, a "Net Proceeds Offer Trigger Date"), such aggregate amount of Net Cash Proceeds which have not been so applied on or before such Net Proceeds Offer Trigger Date as permitted in clauses (2)(A), (2)(B) and (2)(C) of the preceding sentence (each, a "Net Proceeds Offer Amount") shall be applied by the Company to make an offer to repurchase (the "Net Proceeds Offer") on a date (the "Net Proceeds Offer Payment Date") not less than 30 nor more than 45 days following the applicable Net Proceeds Offer Trigger Date, from all Holders on a pro rata basis that amount of Securities equal to the Net Proceeds Offer Amount multiplied by a fraction, the numerator of which is the aggregate principal amount of Securities then outstanding and the denominator of which is the sum of the aggregate principal amount of Securities and Pari Passu Indebtedness then outstanding (the "Pro Rata Share"), at a price equal to 100% of the principal amount of the Securities to be repurchased, plus accrued interest to the date of repurchase.

Notwithstanding the foregoing, if a Net Proceeds Offer Amount is less than $2 million, the application of the Net Cash Proceeds constituting such Net Proceeds Offer Amount to a Net Proceeds Offer may be deferred until such time as such Net Proceeds Offer Amount plus the aggregate amount of all Net Proceeds Offer Amounts arising subsequent to the Net Proceeds Offer Trigger Date relating to such initial Net Proceeds Offer Amount from all Asset Sales by the Company and its Restricted Subsidiaries aggregates at least $2 million, at which time the Company shall apply all Net Cash Proceeds constituting all Net Proceeds Offer Amounts that have been so deferred to make a Net Proceeds Offer, the first date the aggregate of all such deferred Net Proceeds Offer Amounts is equal to $2 million or more being deemed to be a Net Proceeds Offer Trigger Date. To the extent that the aggregate purchase price of Securities tendered pursuant to any Net Proceeds Offer is less than the Pro Rata Share, the Company or any Guarantor may use such amount for general corporate purposes. Upon completion of any Net Proceeds Offer, the Net Proceeds Offer Amount shall be reset to zero.

Notwithstanding the first two paragraphs of this Section 4.16, the Company and its Restricted Subsidiaries will be permitted to consummate an Asset Sale without complying with such paragraphs to the extent

(1) any portion of the consideration for such Asset Sale constitutes Productive Assets

and

(2) such Asset Sale is for substantially fair market value, as determined in good faith by the Company's Board of Directors; provided that the fair market value of any consideration not constituting Productive Assets received by the Company or any of its Restricted Subsidiaries in connection with any Asset Sale permitted to be consummated under this paragraph shall constitute Net Cash Proceeds subject to the provisions of the first two paragraphs of this Section 4.16.

Notice of a Net Proceeds Offer shall be mailed, by first-class mail, by the Company to Holders of Securities at their last registered address not less than 15 days nor more than 30 days before the Net Proceeds Offer Payment Date. The notice shall contain all instructions and materials necessary to enable such Holders to tender Securities pursuant to the Net Proceeds Offer and shall state the following terms:

(1) that the Net Proceeds Offer is being made pursuant to this Section 4.16, that all Securities tendered will be accepted for payment; provided, however, that if the aggregate principal amount of Securities tendered in a Net Proceeds Offer plus accrued interest at the expiration of such offer exceeds the aggregate amount of the Net Proceeds Offer, the Company shall purchase the Securities on a pro rata basis and that the Net Proceeds Offer shall remain open for a period of 20 Business Days or such longer period as may be required by law;

(2) the purchase price (including the amount of accrued interest) and the Net Proceeds Offer Payment Date (which shall be not less than 30 nor more than 45 days following the applicable Net Proceeds Offer Trigger Date;

(3) that any Security not tendered will continue to accrue interest;

(4) that, unless the Company defaults in making payment therefor, any Security accepted for payment pursuant to the Net Proceeds Offer shall cease to accrue interest after the Net Proceeds Offer Payment Date;

(5) that Holders electing to have a Security purchased pursuant to a Net Proceeds Offer will be required to surrender the Security, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Security completed, to the Company at the address specified in the notice prior to the close of business on the Business Day prior to the Net Proceeds Offer Payment Date;

(6) that Holders will be entitled to withdraw their election if the Company receives, not later than the second Business Day prior to the Net Proceeds Offer Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Securities such Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Securities purchased; and

(7) that Holders whose Securities are purchased only in part will be issued new Securities in a principal amount equal to the unpurchased portion of the Securities surrendered.

If an offer is made to repurchase the Securities pursuant to a Net Proceeds Offer, the Company will and will cause its Restricted Subsidiaries to comply with all tender offer rules under state

and federal securities laws, including, but not limited to, Section 14(e) under the Exchange Act and Rule 14e-1 thereunder, to the extent applicable to such offer. To the extent that the provisions of any securities laws or regulations conflict with this Section 4.16, the Company shall comply with the applicable securities laws and obligations and shall not be deemed to have breached its obligations hereunder by virtue thereof.

SECTION 4.17. Limitation of Guarantees by Restricted Subsidiaries.

Any Guarantee of the Securities by a Restricted Subsidiary shall provide by its terms that it shall be automatically and unconditionally released and discharged, without any further action required on the part of or any Holder, upon:

(1) the unconditional release of such Restricted Subsidiary from its liability in respect of any and all other Indebtedness; or

(2) any sale or other disposition (by merger or otherwise) to any Person which is not a Restricted Subsidiary of the Company, of all of the Company's Capital Stock in, or all or substantially all of the assets of, such Restricted Subsidiary; provided, however, that

(a) such sale or disposition of such Capital Stock or assets is otherwise in compliance with the terms of this Note Agreement and

(b) such assumption, guarantee or other liability of such Restricted Subsidiary has been released by the holders of the other Indebtedness so guaranteed.

SECTION 4.18. Stay, Extension and Usury Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Note Agreement; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holders, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE FIVE

SUCCESSOR CORPORATION

SECTION 5.01. Merger, Consolidation and Sale of Assets.

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary of the Company to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries) whether as an entirety or substantially as an entirety to any Person unless:

(1) either (A) the Company or a Restricted Subsidiary of the Company shall be the surviving or continuing corporation or (B) the Person, if other than the Company or a Restricted Subsidiary of the Company, formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the Company's assets determined on a consolidated basis for the Company and its Restricted Subsidiaries (the "Surviving Entity") (x) shall be a corporation or limited liability company organized and validly existing under the laws of the United States or any State thereof or the District of Columbia and (y) shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest on all of the Securities and the performance of every covenant of the Securities or this Note Agreement on the part of the Company to be performed or observed;

(2) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (1)(B)(y) above, including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction, no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction the Consolidated Total Debt Ratio would not be greater than 3 to 1; and

(4) the Company or the Surviving Entity shall have delivered to the Holders an Officers' Certificate and an Opinion of Counsel stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition shall comply with the applicable provisions of this Note Agreement and that all conditions precedent in this Note Agreement relating to the execution of such transaction have been satisfied.

For purposes of the foregoing, the transfer, by lease, assignment, sale or otherwise, in a single transaction or series of transactions, of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of the Company, other than to a Wholly Owned Subsidiary that is a Guarantor, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the assets of the Company in accordance with the foregoing, in which the Company is not the continuing corporation, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Note Agreement and the Securities with the same effect as if such surviving entity had been named as such and the Company shall be relieved of all of its obligations and duties under this Note Agreement and the Securities.

Each Guarantor, other than any Guarantor whose Guarantee is to be released in accordance with the terms of the Guarantee and this Note Agreement, will not, and the Company will not cause or permit any Guarantor to, consolidate with or merge with or into any Person other than the Company or any other Guarantor unless:

(1) the entity formed by or surviving any such consolidation or merger, if other than the Guarantor, or to which such sale, lease, conveyance or other disposition shall have been made is a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia;

(2) such entity assumes all of the obligations of the Guarantor on the Guarantee; and

(3) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(4) immediately after giving effect to such transaction the Consolidated Total Debt Ratio would not be greater than 3 to 1.

Any merger or consolidation of a Guarantor with and into the Company, with the Company being the surviving entity, or another Guarantor that is a Wholly Owned Restricted Subsidiary of the Company need not comply with this Section 5.01.

SECTION 5.02. Successor Corporation Substituted.

Upon any such consolidation, merger, conveyance, lease or transfer of all or substantially all of the assets of the Company in accordance with Section 5.01, in which the Company is not the surviving Person, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under this Note Agreement and the Securities with the same effect as if such successor had been named as the Company therein. When a successor corporation assumes all of the Obligations of the Company hereunder and under the Securities and agrees to be bound hereby and thereby, the predecessor shall be released from such Obligations.

ARTICLE SIX

DEFAULT AND REMEDIES

SECTION 6.01. Events of Default.

An "Event of Default" means any of the following events:

(a) the failure to pay interest on any Securities when the same becomes due and payable and the default continues for a period of 15 days;

(b) the failure to pay the principal on any Securities, when such principal becomes due and payable, at maturity, upon redemption or otherwise, including the failure to make a payment to purchase Securities tendered pursuant to a Change of Control Offer or a Net Proceeds Offer;

(c) a default in the observance or performance of any other covenant or agreement contained in this Note Agreement, which default, in the case of any default which is susceptible of cure, continues for a period of 30 days after the Company receives written notice specifying the default, and demanding that such default be remedied, from the Holders of at least 25% in outstanding principal amount of the Securities;

(d) the failure to pay at final maturity, giving effect to any extensions thereof, the principal amount of any Indebtedness of the Company or any Restricted Subsidiary of the Company, other than intercompany Indebtedness, and such failure continues for a period of 20 days or more, or the acceleration of the final stated maturity of any such Indebtedness, which acceleration is not rescinded, annulled or otherwise cured within 10 days of receipt by the

Company or such Restricted Subsidiary of notice of any such acceleration, if, in either case, the aggregate principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at final maturity or which has been accelerated, in each case with respect to which the time periods described above have passed, aggregates $5 million or more at any time;

(e) one or more judgments in an aggregate amount in excess of $1 million shall have been rendered against the Company or any of its Restricted Subsidiaries and such judgments remain undischarged, unpaid or unstayed for a period of 60 days;

(f) the Company or any of its Restricted Subsidiaries (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences a voluntary case or proceeding under any Bankruptcy Law with respect to itself, (iii) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding under any Bankruptcy Law, (iv) consents to the appointment of a custodian of it or for substantially all of its property, (v) consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it, (vi) makes a general assignment for the benefit of its creditors or (vii) takes any partnership or corporate action, as the case may be, to authorize or effect any of the foregoing;

(g) a court of competent jurisdiction enters a judgment, decree or order for relief in respect of the Company or any of its Restricted Subsidiaries in an involuntary case or proceeding under any Bankruptcy Law, which shall (i) approve as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Company or any of its Significant Subsidiaries, (ii) appoint a custodian of the Company or any of its Significant Subsidiaries or for substantially all of any of their property or (iii) order the winding-up or liquidation of its affairs; and such judgment, decree or order shall remain unstayed and in effect for a period of 60 consecutive days;

(h) any Subsidiary Guarantee of any Restricted Subsidiary of the Company shall for any reason cease to be, or shall be asserted in writing by any responsible officer of such Restricted Subsidiary of the Company or the Company not to be, in full force and effect (except as may be otherwise contemplated by this Note Agreement) or enforceable in accordance with its terms.

SECTION 6.02. Acceleration.

If an Event of Default (other than an Event of Default specified in Section 6.01(f) or (g)) shall occur and be continuing, the Holders of at least 25% in principal amount of outstanding Securities may declare the principal of and accrued and unpaid interest on all the Securities to be due and payable by notice in writing to the Company specifying the respective Event of Default and that it is a “notice of acceleration”, and the same shall become immediately due and payable. If an Event of Default specified in Section 6.01(f) or (g) occurs and is continuing, then all unpaid principal of and premium, if any, and accrued and unpaid interest on all of the outstanding Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of any Holder.

At any time after a declaration of acceleration with respect to the Securities as described in the preceding paragraph, the Holders of at least 75% in principal amount of the Securities may rescind and cancel such declaration and its consequences (i) if the rescission would not conflict with any judgment or decree, (ii) if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration, (iii) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid, and (iv) in the event of the

cure or waiver of an Event of Default of the type described in clause (f) or (g) of Section 6.01, the Holder shall have received an Officers' Certificate that such Event of Default has been cured or waived. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

SECTION 6.03. Other Remedies.

If an Event of Default occurs and is continuing, the Holders of not less than 25% in principal amount of the outstanding Securities may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities, this Note Agreement or the Guarantees. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

SECTION 6.04. Waiver of Past Defaults.

The Holders of not less than 75% in principal amount of the outstanding Securities by written notice to the Company may waive an existing Default or Event of Default and its consequences, except a Default in the payment of principal of or interest on any Security as specified in clauses (a) and (b) of Section 6.01. When a Default or Event of Default is waived, it is cured and ceases.

SECTION 6.05. Control.

The Holders of not less than 75% in principal amount of the outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Holders or exercising any trust or power conferred on it.

SECTION 6.06. Rights of Holders To Receive Payment.

Notwithstanding any other provision of this Note Agreement, the right of any Holder to receive payment of principal of and interest on a Security, on or after the respective due dates expressed in such Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the written consent of the Holder.

ARTICLE SEVEN

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 7.01. Without Consent of Holders.

The Company may amend or supplement this Note Agreement or the Securities without notice to or consent of any Securityholder:

(1) to evidence the succession in accordance with Article Five hereof of another Person to the Company and the assumption by any such successor of the covenants of the Company herein, and in the Securities; or

(2) to make any change that would provide any additional benefit or rights to the Securityholders or that does not adversely affect the rights of any Securityholder in any material respect;

provided that the Company has delivered to the Holders an Officers' Certificate, stating that such amendment or supplement complies with the provisions of this Section 7.01. After an amendment under this Section 7.01 becomes effective, the Company shall mail to Holders a notice briefly describing such amendment.

SECTION 7.02. With Consent of Holders.

The Company, with the written consent of the Holder or Holders of at least 75% in aggregate principal amount unless a greater principal amount is specified herein of the outstanding Securities, may amend or supplement this Note Agreement, the Securities, without notice to any other Securityholders. The Holder or Holders of at least 75% in aggregate principal amount unless a greater principal amount is specified herein of the outstanding Securities may waive compliance by the Company with any provision of this Note Agreement or the Securities without notice to any other Securityholder. Without the consent of each Securityholder affected, however, no amendment, supplement or waiver, including a waiver pursuant to Section 6.04, may:

(1) reduce the amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any Securities;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any Securities, or change the date on which any Securities may be subject to redemption or repurchase, or reduce the redemption or repurchase price therefor;

(4) make any Securities payable in money other than that stated in the Securities;

(5) make any change in provisions of this Note Agreement protecting the right of each Holder to receive payment of principal of and interest on such Security on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of at least 75% in principal amount of the Securities to waive Defaults or Events of Default (other than Defaults or Events of Default with respect to the payment of principal of or interest on the Securities); or

(6) modify or change any provision of this Note Agreement or the related definitions that adversely affects the ranking of the Securities or the Guarantees.

In addition, following the occurrence of a Change of Control, as the case may be, without the consent of Holders of at least 75% of the outstanding aggregate principal amount of Securities, an amendment, supplement or waiver may not make any change to the Company's obligations to make and consummate the required Change of Control Offer or modify any of the provisions or definitions with respect thereto.

It shall not be necessary for the consent of the Holders under this Section 7.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 7.02 becomes effective, the Company shall mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not,

however, in any way impair or affect the validity of any such amendment, supplement, waiver or supplemental indenture.

SECTION 7.03. Revocation and Effect of Consents.

Until an amendment, waiver or supplement becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his Security or portion of his Security by notice to the Company received before the Holders of the requisite principal amount of Securities have consented (and not theretofore revoked such consent) to the amendment, supplement or waiver.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then notwithstanding the last sentence of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

SECTION 7.04. Notation on or Exchange of Securities.

If an amendment, supplement or waiver changes the terms of a Security, the Company may require the Holder of the Security to deliver it to the Company. The Company may place an appropriate notation on the Security about the changed terms and return it to the Holder. Alternatively, if the Company so determines, the Company in exchange for the Security shall issue a new Security that reflects the changed terms. Failure to make the appropriate notation or issue a new Security shall not affect the validity and effect of such amendment, supplement or waiver.

ARTICLE EIGHT

SUBORDINATION OF SECURITIES

SECTION 8.01. Securities Subordinated to Senior Debt.

The Company covenants and agrees, and each Holder of the Securities by acceptance thereof likewise covenants and agrees, that all Securities shall be issued subject to the provisions of this Article Eight; and each person holding any Security, whether upon original issue or upon transfer, assignment or exchange thereof, accepts and agrees that all payments of the principal of, or premium, if any, and interest on the Securities by the Company shall, to the extent and in the manner set forth in this Article Eight, be subordinated and junior in right of payment to the prior payment in full in cash of all amounts payable under Senior Debt, whether outstanding on the Issue Date or thereafter incurred.

SECTION 8.02. No Payment on Securities in Certain Circumstances.

(a) No direct or indirect payment by or on behalf of the Company of principal of, or premium, if any, and interest on the Securities, whether pursuant to the terms of the Securities, upon acceleration, pursuant to a Change of Control Offer or Net Proceeds Offer or otherwise, shall be made to the Holders of Securities if (i) a default in the payment of the principal of, or premium, if any, and interest

on Designated Senior Debt occurs and is continuing beyond any applicable period of grace or (ii) any other default occurs and is continuing with respect to Designated Senior Debt that permits holders of the Designated Senior Debt as to which such default relates to accelerate its maturity and the Holder receives a written notice of such other default (a "Payment Blockage Notice") from the Company or the holders of any Designated Senior Debt (with a copy to the Company) until all Obligations with respect to such Designated Senior Debt are paid in full; payments on the Securities shall be resumed (x) in the case of a payment default, upon the date on which such default is cured or waived and (y) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received by the Holder (such period being referred to herein as the "Payment Blockage Period"), unless the maturity of any Designated Senior Debt has been accelerated (and written notice of such acceleration has been received by the Company).

Notwithstanding anything herein or in the Securities to the contrary, (x) in no event shall a Payment Blockage Period extend beyond 179 days from the date the Payment Blockage Notice in respect thereof was given and (y) not more than one Payment Blockage Period may be commenced with respect to the Securities during any period of 360 consecutive days. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice shall be, or be made, the basis for a subsequent Payment Blockage Notice (it being understood that any subsequent action, or any breach of any covenant for a period commencing after the date of receipt of such Payment Blockage Notice, that, in either case, would give rise to such a default pursuant to any provisions under which a default previously existed or was continuing shall constitute a new default for this purpose).

(b) In the event that, notwithstanding the foregoing, any payment shall be received by any Holder when such payment is prohibited by Section 8.02(a), such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Designated Senior Debt or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Designated Senior Debt may have been issued, as their respective interests may appear, but only to the extent that, upon notice to the holders of Designated Senior Debt that such prohibited payment has been made, the holders of the Designated Senior Debt (or their representative or representatives or a trustee) notify the Company and the Holders in writing of the amounts then due and owing on the Designated Senior Debt, if any, and only the amounts specified in such notice shall be paid to the holders of Designated Senior Debt.

(c) Nothing herein shall prohibit the Company from making scheduled payments of interest on the Securities at the times and in the amounts originally provided for herein so long as no default or event of default on Designated Senior Debt has occurred and is continuing.

SECTION 8.03. Payment Over of Proceeds upon Dissolution, Etc.

(a) Upon any payment or distribution of assets or securities of the Company of any kind or character, whether in cash, property or securities, upon any dissolution or winding-up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other similar proceedings, an assignment for the benefit of creditors or any marshaling of the Company's assets, the holders of Senior Debt shall be entitled to receive payment in full in cash of all Obligations due in respect of such Senior Debt (including interest after the commencement of any proceeding at the rate specified in the applicable Senior Debt) before the Holders of the Securities shall be entitled to receive any payment by the Company of the principal of, or premium, if any, and interest on the Securities, or any payment by the Company to acquire any of the Securities for cash, property or securities, or any distribution with respect to the Securities of any cash, property or securities (except that the Holders may receive and retain Permitted Junior Securities). Before any payment (other than Permitted Junior Securities) may be made by, or on behalf of, the Company of the principal of, or

premium, if any, and interest on the Securities upon any such dissolution or winding-up or liquidation or reorganization, any payment or distribution of assets or securities of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Securities would be entitled, but for the subordination provisions of this Note Agreement, shall be made by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, directly to the holders of the Senior Debt (to such holders as their interests may appear, on the basis of the respective amounts of Senior Debt held by such holders) or their representatives or agent or agents under any agreement or indenture pursuant to which any of such Senior Debt may have been issued, as their respective interests may appear, to the extent necessary to pay all such Senior Debt in full in cash after giving effect to any prior or concurrent payment, distribution or provision therefor to or for the holders of such Senior Debt.

(b) In the event that, notwithstanding the foregoing provision prohibiting such payment or distribution, any payment or distribution of assets or securities of the Company of any kind or character, whether in cash, property or securities, shall be received by any Holder of Securities at a time when such payment or distribution is prohibited by Section 8.03(a) and before all obligations in respect of Senior Debt are paid in full in cash, or payment provided for, such payment or distribution shall be received and held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Debt (to such holders as their interests may appear, on the basis of the respective amounts of Senior Debt held by such holders) or their respective representatives, or to the trustee or trustees or agent or agents under any indenture pursuant to which any of such Senior Debt may have been issued, as their respective interests may appear, for application to the payment of Senior Debt remaining unpaid until all such Senior Debt has been paid in full in cash after giving effect to any prior or concurrent payment, distribution or provision therefor to or for the holders of such Senior Debt.

The consolidation of the Company with, or the merger of the Company with or into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided in Article Five shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 8.03 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article Five.

SECTION 8.04. Subrogation.

Upon the payment in full in cash of all Senior Debt, or provision for payment, the Holders of the Securities shall be subrogated (equally and ratably with the holders of all Indebtedness of the Company which by its terms is not superior in right of payment to the Securities and which ranks on a parity with the Securities) to the rights of the holders of Senior Debt to receive payments or distributions of cash, property or securities of the Company made on such Senior Debt until the principal of, or premium, if any, and interest on the Securities shall be paid in full in cash; and, for the purposes of such subrogation, no payments or distributions to the holders of the Senior Debt of any cash, property or securities to which the Holders of the Securities would be entitled except for the provisions of this Article Eight, and no payment over pursuant to the provisions of this Article Eight to the holders of Senior Debt by Holders of the Securities shall, as between the Company, its creditors other than holders of Senior Debt, and the Holders of the Securities, be deemed to be a payment by the Company to or on account of the Senior Debt. It is understood that the provisions of this Article Eight are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of the Senior Debt, on the other hand.

If any payment or distribution to which the Holders of the Securities would otherwise have been entitled but for the provisions of this Article Eight shall have been applied, pursuant to the

provisions of this Article Eight, to the payment of all amounts payable under Senior Debt, then and in such case, the Holders of the Securities shall be entitled to receive from the holders of such Senior Debt any payments or distributions received by such holders of Senior Debt in excess of the amount required to make payment in full, or provision for payment, of such Senior Debt.

SECTION 8.05. Obligations of Company Unconditional.

Nothing contained in this Article Eight or elsewhere in this Note Agreement or in the Securities is intended to or shall impair, as between the Company and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Securities the principal of, or premium, if any, and interest on the Securities 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 Securities and creditors of the Company other than the holders of the Senior Debt, nor shall anything herein or therein prevent the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Note Agreement, subject to the rights, if any, under this Article Eight of the holders of the Senior Debt in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Without limiting the generality of the foregoing, nothing contained in this Article Eight shall restrict the right of the Holders of Securities to take any action to declare the Securities to be due and payable prior to their stated maturity pursuant to Article Six or to pursue any rights or remedies hereunder; provided, however, that all Senior Debt then due and payable shall first be paid in full before the Holders of the Securities are entitled to receive any direct or indirect payment from the Company of principal of, or premium, if any, and interest on the Securities.

SECTION 8.06. Reliance on Judicial Order or Certificate of Liquidating Agent.

Upon any payment or distribution of assets or securities referred to in this Article Eight, the Holders of the Securities shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which bankruptcy, dissolution, winding-up, liquidation or reorganization proceedings are pending, or upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, delivered to the Holders of the Securities for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Debt 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 Eight.

SECTION 8.07. Subordination Rights Not Impaired by Acts or Omissions of the Company or Holders of Senior Debt.

No right of any present or future holders of any Senior Debt 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 or the holders of the Senior Debt with the terms of this Note Agreement, regardless of any knowledge thereof which any such holder may have or otherwise be charged with. The provisions of this Article Eight are intended to be for the benefit of, and shall be enforceable directly by, the holders of Senior Debt.

SECTION 8.08. This Article Not to Prevent Events of Default.

The failure to make a payment on account of principal of, or premium, if any, and interest on the Securities by reason of any provision of this Article Eight shall not be construed as preventing the occurrence of an Event of Default specified in clause (a) or (b) of Section 6.01.

SECTION 8.09. No Waiver of Subordination Provisions.

Without in any way limiting the generality of Section 8.07, the holders of Senior Debt may, at any time and from time to time, without the consent of or notice to the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article Eight or the obligations hereunder of the Holders of the Securities to the holders of Senior Debt, do any one or more of the following: (a) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Debt or any instrument evidencing the same or any agreement under which Senior Debt is outstanding or secured; (b) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Debt; (c) release any Person liable in any manner for the collection of Senior Debt; and (d) exercise or refrain from exercising any rights against the Company and any other Person.

SECTION 8.10. Acceleration of Securities.

If payment of the Securities is accelerated because of an Event of Default, the Company shall promptly notify holders of the Senior Debt of the acceleration.

ARTICLE NINE

GUARANTEE OF SECURITIES

SECTION 9.01. Unconditional Guarantee.

Each of the Guarantors hereby, jointly and severally, absolutely, irrevocably and unconditionally guarantees, on a senior subordinated basis as hereinafter set forth (such guarantee to be referred to herein as a "Guarantee") to each Holder of a Security that: (a) the principal of, premium, if any, and interest on the Securities shall be promptly paid in full when due (subject to any applicable grace periods) whether at maturity, upon redemption at the option of Holders pursuant to the provisions of the Securities relating thereto, by acceleration or otherwise, and interest on the overdue principal and (to the extent permitted by law) interest, if any, on the Securities and all other Obligations of the Company to the Holders hereunder or thereunder and all other Obligations shall be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and (b) in case of any extension of time of payment or renewal of any Securities or any of such other Obligations, the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, subject to any applicable grace period, whether at maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed, or failing performance of any other obligation of the Company to the Holders under this Note Agreement or under the Securities, for whatever reason, each Guarantor shall be obligated to pay, or to perform or cause the performance of, the same immediately. An Event of Default under this Note Agreement or the Securities shall constitute an event of default under this Guarantee, and shall entitle the Holders of Securities to accelerate the Obligations of the Guarantors hereunder in the same manner and to the same extent as the Obligations of the Company.

Each of the Guarantors hereby agrees that its Obligations hereunder shall be absolute, irrevocable and unconditional, irrespective of the validity, regularity or enforceability of the Securities or

this Note Agreement, the absence of any action to enforce the same, any waiver or consent by any Holder of the Securities with respect to any provisions hereof or thereof, any release of any other Guarantor, the recovery of any judgment against the Company, any action to enforce the same, whether or not a Guarantee is affixed to any particular Security, or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each of the Guarantors hereby waives the benefit of diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that its Guarantee shall not be discharged except by complete performance of the Obligations contained in the Securities, this Note Agreement and this Guarantee. This Guarantee is a guarantee of payment and not of collection. If any Holder is required by any court or otherwise to return to the Company or to any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Company or such Guarantor, any amount paid by the Company or such Guarantor to such Holder, this Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor further agrees that, as between it, on the one hand, and the Holders of Securities on the other hand, (a) the maturity of the Obligations guaranteed hereby may be accelerated as provided in Article Six for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed hereby, and (b) in the event of any acceleration of such Obligations as provided in Article Six hereof, such Obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of this Guarantee.

No stockholder, officer, director, employee or incorporator, past, present or future, or any Guarantor, as such, shall have any personal liability under this Guarantee by reason of his, her or its status as such stockholder, officer, director, employee or incorporator.

Each Guarantor that makes a payment or distribution under its Guarantee shall be entitled to a contribution from each other Guarantor in an amount pro rata, based on the net assets of each Guarantor, determined in accordance with GAAP.

SECTION 9.02. Limitations on Guarantees.

The Obligations of each Guarantor under its Guarantee are limited to the maximum amount which, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the Obligations of such other Guarantor under its Guarantee or pursuant to its contribution Obligations under this Note Agreement, will result in the Obligations of such Guarantor under the Guarantee not constituting a fraudulent conveyance or fraudulent transfer under any laws of the United States, any state or territory of the United States or the District of Columbia.

SECTION 9.03. Execution and Delivery of Guarantee.

To evidence the Guarantee set forth in Section 9.01, each Guarantor hereby agrees that a notation of such Guarantee, substantially in the form of Exhibit B hereto, shall be endorsed on each Security. Such Guarantee shall be executed on behalf of each Guarantor by either manual or facsimile signature of two Officers of each Guarantor, who, in each case, shall have been duly authorized to so execute by all requisite corporate action. The validity and enforceability of any Guarantee shall not be affected by the fact that it is not affixed to any particular Security.

Each of the Guarantors hereby agrees that its Guarantee set forth in Section 9.01 shall remain in full force and effect (unless released in accordance with Section 9.04) notwithstanding any failure to endorse on each Security a notation of such Guarantee.

SECTION 9.04. Release of a Guarantor.

(a) Upon the sale or disposition of all of the Capital Stock of a Guarantor by the Company, or upon the consolidation or merger of a Guarantor with or into any Person in compliance with Article Five (in each case, other than to the Company or an Affiliate of the Company), or if any Guarantor is dissolved or liquidated in accordance with this Note Agreement, such Guarantor's Guarantee shall be released, and such Guarantor and each Subsidiary of such Guarantor that is also a Guarantor shall be deemed released from all Obligations under this Note Agreement and the Securities without any further action required on the part of the Company or any Holder. Any Guarantor not so released or the entity surviving such Guarantor, as applicable, shall remain or be liable under its Guarantee as provided in this Article Nine. In addition, a Guarantor's Guarantee will also be released and such Guarantor will also be released from all Obligations under this Note Agreement and the Securities if such Guarantor is released from any and all guarantees of other Indebtedness of the Company.

(b) The Holders shall deliver an appropriate instrument evidencing the release of a Guarantor upon receipt of a request by the Company or such Guarantor accompanied by an Officers' Certificate certifying as to compliance with this Section 9.04.

The Holders shall execute any documents reasonably requested by the Company or a Guarantor in order to evidence the release of such Guarantor from its Obligations under its Guarantee endorsed on the Securities and under this Article Nine.

Except as set forth in Articles Four and Five and this Section 9.04, nothing contained in this Note Agreement or in any of the Securities shall prevent any consolidation or merger of a Guarantor with or into the Company or another Guarantor or shall prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Company or another Guarantor.

SECTION 9.05. Waiver of Subrogation.

Until all of the Securities are discharged and paid in full, each Guarantor hereby irrevocably waives and agrees not to exercise any claim or other rights which it may now or hereafter acquire against the Company that arise from the existence, payment, performance or enforcement of the Company's Obligations under the Securities or this Note Agreement and such Guarantor's Obligations under this Guarantee and this Note Agreement, in any such instance including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, and any right to participate in any claim or remedy of the Holders against the Company, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from the Issuer, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Guarantor in violation of the preceding sentence and any amounts owing to the Holders of Securities under the Securities, this Note Agreement, or any other document or instrument delivered under or in connection with such agreements or instruments, shall not have been paid in full, such amount shall have been deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of the Holders and shall forthwith be paid to such Holders to be credited and applied to the Obligations in favor of the Holders, whether matured or unmarred, in accordance with the terms of this Note Agreement. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Note Agreement and that the waiver set forth in this Section 9.05 is knowingly made in contemplation of such benefits.

SECTION 9.06. Obligations Continuing.

Subject to Section 9.04, the Obligations of each Guarantor hereunder shall be continuing and shall remain in full force and effect until all the Obligations have been paid and satisfied in full.

SECTION 9.07. Obligations Reinstated.

Subject to Section 9.04, the Obligations of each Guarantor hereunder shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment which would otherwise have reduced the Obligations of any Guarantor hereunder (whether such payment shall have been made by or on behalf of the Company or by or on behalf of a Guarantor) is rescinded or reclaimed from any of the Holders upon the insolvency, bankruptcy, liquidation or reorganization of the Company or any Guarantor or otherwise, all as though such payment had not been made. If demand for, or acceleration of the time for, payment by the Company is stayed upon the insolvency, bankruptcy, liquidation or reorganization of the Company, all such Indebtedness otherwise subject to demand for payment or acceleration shall nonetheless be payable by each Guarantor as provided herein.

SECTION 9.08. Waiver.

Without in any way limiting the provisions of Section 9.01, each Guarantor hereby waives notice or proof of reliance by the Holders upon the Obligations of any Guarantor hereunder, and diligence, presentment, demand for payment on the Company, protest or notice of dishonor of any of the Obligations.

SECTION 9.09. No Obligation To Take Action Against the Company.

Neither the Holders nor any other Person shall have any obligation to enforce or exhaust any rights or remedies or to take any other steps under any security for the Obligations or against the Company or any other Person or any property of the Company or any other Person before the Holders are entitled to demand payment and performance by any or all Guarantors of their liabilities and Obligations under their Guarantees or under this Note Agreement.

SECTION 9.10. Amendment, Etc.

No amendment, modification or waiver of any provision of this Note Agreement relating to any Guarantor or consent to any departure by any Guarantor or any other Person from any such provision will in any event be effective unless it is signed by such Guarantor, other than a release pursuant to Section 9.04.

SECTION 9.11. No Waiver; Cumulative Remedies.

No failure to exercise and no delay in exercising, on the part of the Holders, any right, remedy, power or privilege hereunder or under this Note Agreement or the Securities, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under this Note Agreement or the Securities preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges in the Guarantee and under this Note Agreement, the Securities and any other document or instrument between a Guarantor and/or the Company and the Holders are cumulative and not exclusive of any rights, remedies, powers and privilege provided by law.

SECTION 9.12. Successors and Assigns.

Each Guarantee shall be binding upon and inure to the benefit of each Guarantor and the Holders and their respective successors and permitted assigns, except that no Guarantor may assign any of its Obligations hereunder or thereunder.

SECTION 9.13. Contribution.

In order to provide for just and equitable contribution among the Guarantors, the Guarantors agree, inter se, that in the event any payment or distribution is made by any Guarantor (a "Funding Guarantor") under its Guarantee, such Funding Guarantor shall be entitled to contribution from all other Guarantors in a pro rata amount based on the net assets (determined in accordance with GAAP) of each Guarantor (including the Funding Guarantor) for all payments, damages and expenses incurred by that Funding Guarantor in discharging the Company's Obligations with respect to the Securities or any other Guarantor's Obligations with respect to its Guarantee.

SECTION 9.14. Future Guarantors.

The Company shall cause each of the Company's Restricted Subsidiaries to the extent required by the provisions of this Note Agreement to execute and deliver, within a reasonable time thereafter, a supplemental Note Agreement or other agreement of guaranty and thereby become a Guarantor bound by the Guarantee of the Securities in the form set forth in Article Nine hereof (without such Guarantor being required to execute and deliver its Guarantee endorsed on the securities); provided that no Subsidiary organized outside the United States of America and no Unrestricted Subsidiary shall be required to become a Guarantor.

ARTICLE TEN

SUBORDINATION OF GUARANTEE

SECTION 10.01. Guarantee Obligations Subordinated to Guarantor Senior Debt.

Each Guarantor covenants and agrees, each Holder of the Securities by acceptance thereof likewise covenants and agrees, that all Guarantees shall be issued subject to the provisions of this Article Ten; and each person holding any Guarantee, whether upon original issue or upon transfer, assignment or exchange thereof, accepts and agrees that all payments of the principal of, or premium, if any, and interest on the Securities pursuant to the Guarantee made by or on behalf of such Guarantor shall, to the extent and in the manner set forth in this Article Ten, be subordinated and junior in right of payment to the prior payment in full in cash of all amounts payable under Guarantor Senior Debt of such Guarantor.

SECTION 10.02. No Payment on Guarantee in Certain Circumstances.

(a) No direct or indirect payment by or on behalf of any Guarantor of principal of or interest on the Securities, whether pursuant to the terms of the Securities or the Guarantees, upon acceleration, pursuant to a Change of Control Offer or Net Proceeds Offer or otherwise, shall be made to the Holders of Securities if (i) a default in the payment of the principal of, or premium, if any, and interest on Designated Guarantor Senior Debt occurs and is continuing beyond any applicable period of grace or

(ii) any other default occurs and is continuing with respect to Designated Guarantor Senior Debt that permits holders of the Designated Guarantor Senior Debt as to which such default relates to accelerate its maturity and the Holder receives a written notice of such other default (a "Guarantor Payment Blockage Notice") from the Company or a Guarantor or the holders of any Designated Guarantor Senior Debt (with a copy to the Company) until all Obligations with respect to such Designated Guarantor Senior Debt are paid in full; payments on the Securities shall be resumed (x) in the case of a payment default, upon the date on which such default is cured or waived and (y) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Guarantor Payment Blockage Notice is received by the Holder (such period being referred to herein as the "Guarantor Payment Blockage Period"), unless the maturity of any Designated Guarantor Senior Debt has been accelerated (and written notice of such acceleration has been received by the Company).

Notwithstanding anything herein or in the Securities to the contrary, (x) in no event shall a Guarantor Payment Blockage Period extend beyond 179 days from the date the Guarantor Payment Blockage Notice in respect thereof was given and (y) not more than one Guarantor Payment Blockage Period may be commenced with respect to the Securities during any period of 360 consecutive days. No nonpayment default that existed or was continuing on the date of delivery of any Guarantor Payment Blockage Notice shall be, or be made, the basis for a subsequent Guarantor Payment Blockage Notice (it being understood that any subsequent action, or any breach of any covenant for a period commencing after the date of receipt of such Guarantor Payment Blockage Notice, that, in either case, would give rise to such a default pursuant to any provisions under which a default previously existed or was continuing shall constitute a new default for this purpose).

(b) In the event that, notwithstanding the foregoing, any payment shall be received by any Holder when such payment is prohibited by Section 10.02(a), such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of such Designated Guarantor Senior Debt or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Designated Guarantor Senior Debt may have been issued, as their respective interests may appear, but only to the extent that, upon notice to the holders of such Designated Guarantor Senior Debt that such prohibited payment has been made, the holders of such Designated Guarantor Senior Debt (or their representative or representatives or a trustee) notify the Company and the Holders in writing of the amounts then due and owing on such Designated Guarantor Senior Debt, if any, and only the amounts specified in such notice shall be paid to the holders of such Designated Guarantor Senior Debt.

SECTION 10.03. Payment Over of Proceeds upon Dissolution, Etc.

(a) Upon any payment or distribution of assets or securities of any Guarantor of any kind or character, whether in cash, property or securities, upon any dissolution or winding-up or liquidation or reorganization of such Guarantor, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other similar proceedings, the holders of Guarantor Senior Debt of such Guarantor shall be entitled to receive payment in full in cash of all Obligations due in respect of such Guarantor Senior Debt before the Holders of the Securities shall be entitled to receive any payment by such Guarantor of the principal of, or premium, if any, and interest or on the Securities pursuant to its Guarantee, or any payment to acquire any of the Securities for cash, property or securities, or any distribution with respect to the Securities of any cash, property or securities (except that Holders may receive and retain Permitted Junior Securities). Before any payment (other than Permitted Junior Securities) may be made by, or on behalf of, any Guarantor of the principal of, or premium, if any, and interest on the Securities upon any such dissolution or winding-up or liquidation or reorganization, any payment or distribution of assets or securities of such Guarantor of any kind or character, whether in cash, property or securities, to which the Holders of the Securities would be entitled, but for the subordination provisions of this Note Agreement,

shall be made by such Guarantor or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, directly to the holders of the Guarantor Senior Debt of such Guarantor (to such holders as their interests may appear, on the basis of the respective amounts of such Guarantor Senior Debt held by such holders) or their representatives or agent or agents under any agreement or indenture pursuant to which any such Guarantor Senior Debt may have been issued, as their respective interests may appear, to the extent necessary to pay all such Guarantor Senior Debt in full in cash after giving effect to any prior or concurrent payment, distribution or provision therefor to or for the holders of such Guarantor Senior Debt.

(b) In the event that, notwithstanding the foregoing provision prohibiting such payment or distribution, any payment or distribution of assets or securities of a Guarantor of any kind or character, whether in cash, property or securities, shall be received by any Holder of Securities at a time when such payment or distribution is prohibited by Section 10.03(a) and before all Obligations in respect of the Guarantor Senior Debt of such Guarantor are paid in full in cash, or payment provided for, such payment or distribution shall be received and held in trust for the benefit of, and shall be paid over or delivered to, the holders of such Guarantor Senior Debt (to such holders as their interests may appear, on the basis of the respective amounts of Guarantor Senior Debt held by such holders) or their respective representatives, or to the trustee or trustees or agent or agents under any indenture pursuant to which any of such Guarantor Senior Debt may have been issued, as their respective interests may appear, for application to the payment of the Guarantor Senior Debt remaining unpaid until all Guarantor Senior Debt has been paid in full in cash after giving effect to any prior or concurrent payment, distribution or provision therefor to or for the holders of any Guarantor Senior Debt; provided that the trustee shall be entitled to receive from the holders of Guarantor Senior Debt written notice of the amounts owing on the Guarantor Senior Debt.

The consolidation of a Guarantor with, or the merger of a Guarantor with or into, another corporation or the liquidation or dissolution of a Guarantor following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided in Article Five shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 10.03 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article Five.

SECTION 10.04. Subrogation.

Upon the payment in full in cash of all Guarantor Senior Debt of a Guarantor, or provision for payment, the Holders of the Securities shall be subrogated to the rights of the holders of Guarantor Senior Debt to receive payments or distributions of cash, property or securities of such Guarantor made on Guarantor Senior Debt of such Guarantor until the principal of, or premium, if any, and interest on the Securities shall be paid in full in cash; and, for the purposes of such subrogation, no payments or distributions to the holders of Guarantor Senior Debt of any cash, property or securities to which the Holders of the Securities would be entitled except for the provisions of this Article Ten, and no payment over pursuant to the provisions of this Article Ten to the holders of the Guarantor Senior Debt by Holders of the Securities shall, as between such Guarantor, its creditors other than holders of such Guarantor Senior Debt of such Guarantor, and the Holders of the Securities, be deemed to be a payment by such Guarantor to or on account of the Guarantor Senior Debt of such Guarantor. It is understood that the provisions of this Article Twelve are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of Guarantor Senior Debt, on the other hand.

If any payment or distribution to which the Holders of the Securities would otherwise have been entitled but for the provisions of this Article Ten shall have been applied, pursuant to the provisions of this Article Ten, to the payment of all amounts payable under Guarantor Senior Debt, then

and in such case, the Holders of the Securities shall be entitled to receive from the holders of such Guarantor Senior Debt any payments or distributions received by such holders of Guarantor Senior Debt in excess of the amount required to make payment in full, or provision for payment, of such Guarantor Senior Debt.

SECTION 10.05. Obligations of Guarantor Unconditional.

Nothing contained in this Article Ten or elsewhere in this Note Agreement or in the Securities or the Guarantees is intended to or shall impair, as between any Guarantor and the Holders of the Securities, the obligation of such Guarantor, which is absolute and unconditional, to pay to the Holders of the Securities the principal of, or premium, if any, and interest on the Securities as and when the same shall become due and payable in accordance with the terms of its Guarantee, or is intended to or shall affect the relative rights of the Holders of the Securities and creditors of the Guarantors other than the holders of Guarantor Senior Debt, nor shall anything herein or therein prevent the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Note Agreement, subject to the rights, if any, under this Article Ten of the holders of Guarantor Senior Debt in respect of cash, property or securities of the Guarantors received upon the exercise of any such remedy.

Without limiting the generality of the foregoing, nothing contained in this Article Ten shall restrict the right of the Holders of Securities to take any action to declare the Securities to be due and payable prior to their stated maturity pursuant to Section 6.01 or to pursue any rights or remedies hereunder; provided, however, that all Guarantor Senior Debt of any Guarantor then due and payable shall first be paid in full before the Holders of the Securities are entitled to receive any direct or indirect payment from such Guarantor of principal of, or premium, if any, and interest on the Securities pursuant to such Guarantor's Guarantee.

SECTION 10.06. Reliance on Judicial Order or Certificate of Liquidating Agent.

Upon any payment or distribution of assets or securities of any Guarantor referred to in this Article Ten, the Holders of the Securities shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which bankruptcy, dissolution, winding-up, liquidation or reorganization proceedings are pending, or upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, delivered to the Holders of the Securities for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of Guarantor Senior Debt and other Indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Ten.

SECTION 10.07. Subordination Rights Not Impaired by Acts or Omissions of the Guarantors or Holders of Guarantor Senior Debt.

No right of any present or future holders of any Guarantor Senior Debt 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 any Guarantor or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by any Guarantor with the terms of this Note Agreement, regardless of any knowledge thereof which any such holder may have or otherwise be charged with. The provisions of this Article Ten are intended to be for the benefit of, and shall be enforceable directly by, the holders of Guarantor Senior Debt.

SECTION 10.08. This Article Not to Prevent Events of Default.

The failure to make a payment on account of principal of, or premium, if any, and interest on the Securities by reason of any provision of this Article Ten shall not be construed as preventing the occurrence of an Event of Default specified in clauses (a) or (b) of Section 6.01.

SECTION 10.09. No Waiver of Guarantee Subordination Provisions.

Without in any way limiting the generality of Section 10.07, the holders of Guarantor Senior Debt may, at any time and from time to time, without the consent of or notice to the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article Ten or the obligations hereunder of the Holders of the Securities to the holders of Guarantor Senior Debt, do any one or more of the following: (a) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Guarantor Senior Debt or any instrument evidencing the same or any agreement under which Guarantor Senior Debt is outstanding or secured; (b) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Guarantor Senior Debt; (c) release any Person liable in any manner for the collection of Guarantor Senior Debt; and (d) exercise or refrain from exercising any rights against the Guarantor and any other Person.

ARTICLE ELEVEN

MISCELLANEOUS

SECTION 11.01. Notices.

Any notices or other communications required or permitted hereunder shall be in writing, and shall be sufficiently given if made by hand delivery, by telecopier, by reputable overnight delivery service, or registered mail, postage prepaid, return receipt requested, addressed as follows:

if to the Company or any Guarantor:

Casual Male Retail Group, Inc.
555 Turnpike Street
Canton, Massachusetts 02021

Attention: Chief Financial Officer

Facsimile: (781) 444-7462

with a copy to

Kramer Levin Naftalis & Frankel LLP
919 Third Avenue
New York, New York 10022

Attention: Peter G. Smith, Esq.

Facsimile: (212) 715-8000

if to the Holders, to their respective addresses set forth on or following the signature pages hereto or otherwise specified to the Company in writing by notice given in accordance with this Section 11.01.

Each of the Company, the Guarantors and the Holders by written notice to each other may designate additional or different addresses for notices to such Person. Any notice or communication to the Company and the Guarantors shall be deemed to have been given or made as of the date so delivered if personally delivered; when answered back, if telexed; when receipt is acknowledged, if telecopied; one (1) business day after mailing by reputable overnight courier; and five (5) calendar days after mailing if sent by registered mail, postage prepaid (except that, notwithstanding the foregoing, a notice of change of address shall not be deemed to have been given until actually received by the addressee). Notice to the Holders shall be deemed given when actually received by the Holders.

Any notice or communication mailed to a Securityholder shall be mailed to him by first class mail or other equivalent means at his address as it appears on the registration books of the Company and shall be sufficiently given to him if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 11.02. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Note Agreement, other than the Officers' Certificate required by Section 4.08(a), shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition and the definitions relating thereto;

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

(3) a statement that, in the opinion of such Person, 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 or not, in the opinion of each such Person, such condition or covenant has been complied with; provided, however, that with respect to matters of fact an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

SECTION 11.03. Legal Holidays.

A "Legal Holiday" used with respect to a particular place of payment is a Saturday, a Sunday or a day on which banking institutions in New York, New York, or at such place of payment are not required to be open. If a payment date is a Legal Holiday at such place, payment may be made at such place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 11.04. Governing Law.

THIS NOTE AGREEMENT, THE SECURITIES AND THE GUARANTEES WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS. EACH OF THE PARTIES HERETO AGREES TO SUBMIT TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE AGREEMENT OR THE SECURITIES OR THE GUARANTEES.

SECTION 11.05. No Recourse Against Others.

A director, officer, employee, stockholder or incorporator, as such, of the Company or any Guarantor shall not have any liability for any Obligations of the Company or any Guarantor under the Securities, the Guarantees or this Note Agreement or for any claim based on, in respect of or by reason of such Obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Securities.

SECTION 11.06. Successors.

All agreements of the Company in this Note Agreement and the Securities shall bind its successors.

SECTION 11.07. Duplicate Originals.

All parties may sign any number of copies of this Note Agreement. Each signed copy or counterpart shall be an original, but all of them together shall represent the same agreement.

SECTION 11.08. Severability.

In case any one or more of the provisions in this Note Agreement, in the Securities or in the Guarantees shall be 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 shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

[SIGNATURE PAGES TO FOLLOW]

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Note Agreement to be duly executed, all as of the date first written above.

THE COMPANY:

CASUAL MALE RETAIL GROUP, INC.

By: _____

Name: Dennis R. Hernreich
Title: Chief Financial Officer

[INITIAL PURCHASERS:]

By: _____

Name:
Title:

Address:

GUARANTORS:

DESIGNS SECURITIES CORPORATION

By: _____

Name:
Title:

DESIGNS JV CORP.

By: _____

Name:
Title:

DESIGNS ACQUISITION CORP.

By: _____

Name:
Title:

DESIGNS CM ACQUISITION CORP.

By: _____

Name:
Title:

DESIGNS OUTLET, INC.

By: _____

Name:
Title:

DESIGNS APPAREL, INC.

By: _____

Name:
Title:

CAPTURE, LLC

By: _____

Name:
Title:

DESICAND, INC.

By: _____

Name:
Title:

CBDNH, INC.

By: _____

Name:
Title:

DESIGNS CMAL STORE INC.

By: _____

Name:
Title:

DESIGNS CMAL RETAIL STORE INC.

By: _____

Name:
Title:

DESIGNS CMAL TBD INC.

By: _____

Name:
Title:

DESIKO, INC.

By: _____

Name:
Title:

DESIKO, LLC

By: _____

Name:
Title:

LP INNOVATIONS, INC.

By: _____

Name:
Title:

SECUREX LLC

By: _____

Name:
Title:

EXHIBIT A

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER: (1) REPRESENTS THAT IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT (AN "AI"), (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY, (B) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (C) TO AN AI THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE COMPANY A SIGNED LETTER CONTAINING CERTAIN CUSTOMARY REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE COMPANY) AND AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, OR (D) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY) AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHICH THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND, AND (4) FURTHER AGREES THAT IT MAY NOT RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (X) IN DENOMINATIONS OF NOT LESS THAN $250,000 AND (Y) WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY, WHICH CONSENT SHALL NOT UNREASONABLY BE WITHHELD.

THIS NOTE IS SUBJECT AND SUBORDINATE TO THE LIABILITIES OF CASUAL MALE RETAIL GROUP, INC. DUE OR TO BECOME DUE TO FLEET RETAIL FINANCE INC., AS AGENT, PURSUANT TO A SUBORDINATION AGREEMENT DATED JULY 2, 2003.

CASUAL MALE RETAIL GROUP, INC.

12% Senior Subordinated Note
due 2010

No. __ $_____

CASUAL MALE RETAIL GROUP, INC., a Delaware corporation (the "Company", which term includes any successor corporation), for value received, promises to pay to _____, or registered assigns, the principal sum of _____ ($_____) on July 2, 2010.

Interest Payment Dates: July 31 and January 31.

Reference is made to the further provisions of this Security contained herein, which will for all purposes have the same effect as if set forth at this place.

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

CASUAL MALE RETAIL GROUP, INC.

By: _____

Name:
Title:

By: _____

Name:
Title:

CASUAL MALE RETAIL GROUP, INC.
12% Senior Subordinated Note
due 2010

1. Interest.

CASUAL MALE RETAIL GROUP, INC., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest semi-annually on July 31 and January 31 of each year (each an "Interest Payment Date"), commencing July 31, 2003. Interest on the Securities will accrue from the most recent date on which interest has been paid in full or, if interest has not been paid in full, from _____, 2003. Interest will be computed on the basis of a 360-day year of twelve 30-day months or in the case of a partial month, the actual number of days elapsed.

The Company shall pay interest at the rate of interest then borne by the Securities on overdue installments of principal and on overdue installments of interest to the extent lawful as provided in the Note Agreement. The interest rate in respect of any overdue installment of interest on the Securities which is not paid when due by virtue of Article 8 of the Note Agreement (as defined below) shall be increased by 500 basis points, to a rate of 17% per annum.

2. Method of Payment.

The Company shall pay interest on the Securities (except defaulted interest) to the persons who are the registered Holders at the close of business on the Interest Payment Date. Holders must surrender Securities to the Company at its principal place of business to collect principal payments. The Company shall pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts ("U.S. Legal Tender"). However, the Company may pay principal and interest by wire transfer of Federal funds, or interest by check payable in such U.S. Legal Tender. The Company shall deliver any such interest payment to a Holder at the Holder's registered address.

3. Note Agreement.

The Company issued the Securities under a Note Agreement, dated as of July 2, 2003 (the "Note Agreement"), by and among the Company, the Guarantors named therein and the Initial Purchasers. Capitalized terms herein are used as defined in the Note Agreement unless otherwise defined herein. The terms of the Securities include those stated in the Note Agreement and as it may be amended from time to time.

4. Optional Redemption.

The Securities will be redeemable, at the Company's option, in whole at any time or in part from time to time after July 2, 2004, upon not less than 15 nor more than 30 days' notice, at the redemption prices set forth below (expressed as percentages of the principal amount of Securities so redeemed), plus, in each case, accrued and unpaid interest to the date of redemption.

If redeemed after July 2,	**Percentage**
2004	104%
2005	103%

2006	102%
2007	101%
2008 and thereafter	100%

5. Notice of Optional Redemption.

Notice of redemption will be sent, by first class mail, postage prepaid, at least 15 days but not more than 30 days before the Redemption Date to each Holder of Securities to be redeemed at such Holder's registered address.

Except as set forth in the Note Agreement, unless the Company defaults in the payment of such Redemption Price plus accrued and unpaid interest, if any, the Securities called for redemption will cease to bear interest from and after such Redemption Date and the only right of the Holders of such Securities will be to receive payment of the Redemption Price plus accrued and unpaid interest, if any to the Redemption Date.

6. Offers to Purchase.

Section 4.13 of the Note Agreement provides that, upon the occurrence of a Change of Control and subject to further limitations contained therein, the Company will make an offer to purchase the Securities in accordance with the procedures set forth in the Note Agreement.

7. Denominations; Transfer; Exchange.

The Securities are in registered form, without coupons. A Holder shall register the transfer of or exchange of Securities in accordance with the Note Agreement. The Company may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay certain transfer taxes or similar governmental charges payable in connection therewith as permitted by the Note Agreement. The Company need not register the transfer of or exchange of any Securities or portions thereof (i) during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Securities and ending at the close of business on the day of such mailing and (ii) selected for redemption, except the unredeemed portion of any Security being redeemed in part.

8. Persons Deemed Owners.

The registered Holder of a Security shall be treated as the owner of it for all purposes.

9. Amendment; Supplement; Waiver.

Subject to certain exceptions, the Note Agreement and the Securities may be amended or supplemented with the written consent of the Holders of at least 75% in aggregate principal amount of the Securities then outstanding, and any existing Default or Event of Default or compliance with any provision may be waived with the consent of the Holders of a majority in aggregate principal amount of the Securities then outstanding. Without notice to or consent of any Holder, the Company may amend or supplement the Note Agreement and the Securities to, among other things, cure any ambiguity, defect or inconsistency or make any other change that does not adversely affect the rights of any Holder of a Security in any material respect.

10. Restrictive Covenants.

The Note Agreement contains certain covenants that, among other things, limit the ability of the Company and the Subsidiaries to incur additional Indebtedness, create certain Liens, pay dividends or make certain other Restricted Payments, consummate certain Asset Sales, enter into certain transactions with Affiliates and merge or consolidate with any other Person or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the assets of the Company. The limitations are subject to a number of important qualifications and exceptions.

11. Subordination.

The Indebtedness evidenced by the Securities is, to the extent and in the manner provided in the Note Agreement, subordinated in right of payment to the prior payment in full in cash of all Senior Debt, and this Security is issued subject to such provisions. Each Holder of this Security, by accepting the same, agrees to and shall be bound by such provisions.

12. Defaults and Remedies.

If an Event of Default occurs and is continuing, the Holders of at least 25% in aggregate principal amount of Securities then outstanding may declare the principal of and accrued interest on all the Securities to be due and payable immediately in the manner and with the effect provided in the Note Agreement. Holders of Securities may not enforce the Note Agreement or the Securities except as provided in the Note Agreement. The Note Agreement permits, subject to certain limitations therein provided, Holders of a majority in aggregate principal amount of the Securities then outstanding to exercise any power.

13. No Recourse Against Others.

No stockholder, director, officer, employee or incorporator, as such, of the Company shall have any liability for any obligation of the Company under the Securities or the Note Agreement or for any claim based on, in respect of or by reason of, such Obligations or their creation. Each Holder of a Security by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Securities.

14. Guarantees.

This Security will be entitled to the benefits of certain Guarantees made for the benefit of the Holders. Reference is hereby made to the Note Agreement for a statement of the respective rights, limitations of rights, duties and Obligations thereunder of the Guarantors and the Holders.

15. Abbreviations and Defined Terms.

Customary abbreviations may be used in the name of a Holder of a Security or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

16. Note Agreement.

The Company will furnish to any Holder of a Security upon written request and without charge a copy of the Note Agreement. Requests may be made to: Casual Male Retail Group, Inc., 555 Turnpike Street, Canton, Massachusetts 02021, Attn: Chief Financial Officer.

17. Governing Laws.

This Security and the Note Agreement shall be governed by and construed in accordance with the laws of the State of New York, as applied to contracts made and performed within the State of New York, without regard to principles of conflict of laws. Each of the parties hereto agrees to submit to the jurisdiction of the courts of the State of New York in any action or proceeding arising out of or relating to this Security.

ASSIGNMENT FORM

I or we assign and transfer this Security to:

_____

_____

(Print or type name, address and zip code of assignee or transferee)

(Insert Social Security or other identifying number of assignee or transferee)

and irrevocably appoint _____,
agent to transfer this Security on the books of the Company.
The agent may substitute another to act for him.

Dated:_____

Signed:_____
(Sign exactly as name appears on the other side of this Security)

Signature Guarantee:_____
Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor program reasonably acceptable to the Company)

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section __ of the Note Agreement, check the box:

If you want to elect to have only part of this Security purchased by the Company pursuant to __ of the Note Agreement, state the amount: $_____

Dated:_____

Signed:_____
(Sign exactly as name appears on the other side of this Security)

Signature Guarantee:_____
Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor program reasonably acceptable to the Company)

EXHIBIT B

GUARANTEE

For value received, the undersigned hereby unconditionally, absolutely and irrevocably guarantees, as principal obligor and not only as a surety, to the Holder of this Security the cash payments in United States dollars of principal of, premium, if any, and interest on this Security in the amounts and at the times when due and interest on the overdue principal, premium, if any, and interest, if any, of this Security, if lawful, and the payment or performance of all other Obligations of the Company under the Note Agreement (as defined below) or the Security, to the Holder of this Security, all in accordance with and subject to the terms and limitations of this Security, Article Nine and Article Ten of the Note Agreement and this Guarantee. This Guarantee will become effective in accordance with Article Nine of the Note Agreement and its terms shall be evidenced therein. The validity and enforceability of this Guarantee shall not be affected by the fact that it is not affixed to any particular Security. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Note Agreement dated as of July 2, 2003, among Casual Male Retail Group, Inc., a Delaware corporation, as issuer (the "Company"), each of the Guarantors referred to therein and the Initial Purchasers (as amended or supplemented, the "Note Agreement").

The obligations of the undersigned to the Holders of Securities pursuant to this Guarantee and the Note Agreement are expressly set forth in Articles Nine and Ten of the Note Agreement and are expressly subordinated in right of payment to the prior payment in full of all Guarantor Senior Debt of the Guarantor issuing this Guarantee, to the extent and in the manner provided in Article Ten of the Note Agreement and reference is hereby made to the Note Agreement for the precise terms of the Guarantee and all of the other provisions of the Note Agreement to which this Guarantee relates.

This Guarantee is not senior in right of payment to any of the guarantees given by any of the Guarantors (as defined in the 2002 Note Agreement) under the 2002 Note Agreement.

THIS GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICT OF LAWS. Each Guarantor hereby agrees to submit to the jurisdiction of the courts of the State of New York in any action or proceeding arising out of or relating to this Guarantee.

This Guarantee is subject to release upon the terms set forth in the Note Agreement.

IN WITNESS WHEREOF, each Guarantor has caused its Guarantee to be duly executed.

Date:_____

[NAME OF GUARANTOR], as Guarantor

By: _____

Name:
Title:

By: _____

Name:
Title:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER: (1) REPRESENTS THAT IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT (AN "AI"), (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY, (B) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (C) TO AN AI THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE COMPANY A SIGNED LETTER CONTAINING CERTAIN CUSTOMARY REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE COMPANY) AND AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, OR (D) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY) AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHICH THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND, AND (4) FURTHER AGREES THAT IT MAY NOT RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (X) IN DENOMINATIONS OF NOT LESS THAN $250,000 AND (Y) WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY, WHICH CONSENT SHALL NOT UNREASONABLY BE WITHHELD.

THIS NOTE IS SUBJECT AND SUBORDINATE TO THE LIABILITIES OF CASUAL MALE RETAIL GROUP, INC. DUE OR TO BECOME DUE TO FLEET RETAIL FINANCE INC., AS AGENT, PURSUANT TO A SUBORDINATION AGREEMENT DATED , 2003.

CASUAL MALE RETAIL GROUP, INC.

12% Senior Subordinated Note
due 2010

No. ____ $_____

CASUAL MALE RETAIL GROUP, INC., a Delaware corporation (the "Company", which term includes any successor corporation), for value received, promises to pay to _____, or registered assigns, the principal sum of _____ ($_____) on July 2, 2010.

Interest Payment Dates: July 31 and January 31.

Reference is made to the further provisions of this Security contained herein, which will for all purposes have the same effect as if set forth at this place.

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

CASUAL MALE RETAIL GROUP, INC.

By: _____

Name:
Title:

By: _____

Name:
Title:

CASUAL MALE RETAIL GROUP, INC.
12% Senior Subordinated Note
due 2010

1. Interest.

CASUAL MALE RETAIL GROUP, INC., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest semi-annually on July 31 and January 31 of each year (each an "Interest Payment Date"), commencing July 31, 2003. Interest on the Securities will accrue from the most recent date on which interest has been paid in full or, if interest has not been paid in full, from _____, 2003. Interest will be computed on the basis of a 360-day year of twelve 30-day months or in the case of a partial month, the actual number of days elapsed.

The Company shall pay interest at the rate of interest then borne by the Securities on overdue installments of principal and on overdue installments of interest to the extent lawful as provided in the Note Agreement. The interest rate in respect of any overdue installment of interest on the Securities which is not paid when due by virtue of Article 8 of the Note Agreement (as defined below) shall be increased by 500 basis points, to a rate of 17% per annum.

2. Method of Payment.

The Company shall pay interest on the Securities (except defaulted interest) to the persons who are the registered Holders at the close of business on the Interest Payment Date. Holders must surrender Securities to the Company at its principal place of business to collect principal payments. The Company shall pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts ("U.S. Legal Tender"). However, the Company may pay principal and interest by wire transfer of Federal funds, or interest by check payable in such U.S. Legal Tender. The Company shall deliver any such interest payment to a Holder at the Holder's registered address.

3. Note Agreement.

The Company issued the Securities under a Note Agreement, dated as of July 2, 2003 (the "Note Agreement"), by and among the Company, the Guarantors named therein and the Initial Purchasers. Capitalized terms herein are used as defined in the Note Agreement unless otherwise defined herein. The terms of the Securities include those stated in the Note Agreement and as it may be amended from time to time.

4. Optional Redemption.

The Securities will be redeemable, at the Company's option, in whole at any time or in part from time to time after July 2, 2004, upon not less than 15 nor more than 30 days' notice, at the redemption prices set forth below (expressed as percentages of the principal

amount of Securities so redeemed), plus, in each case, accrued and unpaid interest to the date of redemption.

If redeemed after July 2,	Percentage
2004	104%
2005	103%
2006	102%
2007	101%
2008 and thereafter	100%

5. Notice of Optional Redemption.

Notice of redemption will be sent, by first class mail, postage prepaid, at least 15 days but not more than 30 days before the Redemption Date to each Holder of Securities to be redeemed at such Holder's registered address.

Except as set forth in the Note Agreement, unless the Company defaults in the payment of such Redemption Price plus accrued and unpaid interest, if any, the Securities called for redemption will cease to bear interest from and after such Redemption Date and the only right of the Holders of such Securities will be to receive payment of the Redemption Price plus accrued and unpaid interest, if any to the Redemption Date.

6. Offers to Purchase.

Section 4.13 of the Note Agreement provides that, upon the occurrence of a Change of Control and subject to further limitations contained therein, the Company will make an offer to purchase the Securities in accordance with the procedures set forth in the Note Agreement.

7. Denominations; Transfer; Exchange.

The Securities are in registered form, without coupons. A Holder shall register the transfer of or exchange of Securities in accordance with the Note Agreement. The Company may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay certain transfer taxes or similar governmental charges payable in connection therewith as permitted by the Note Agreement. The Company need not register the transfer of or exchange of any Securities or portions thereof (i) during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Securities and ending at the close of business on the day of such mailing and (ii) selected for redemption, except the unredeemed portion of any Security being redeemed in part.

8. Persons Deemed Owners.

The registered Holder of a Security shall be treated as the owner of it for all purposes.

9. Amendment; Supplement; Waiver.

Subject to certain exceptions, the Note Agreement and the Securities may be amended or supplemented with the written consent of the Holders of at least 75% in aggregate principal amount of the Securities then outstanding, and any existing Default or Event of Default or compliance with any provision may be waived with the consent of the Holders of a majority in aggregate principal amount of the Securities then outstanding. Without notice to or consent of any Holder, the Company may amend or supplement the Note Agreement and the Securities to, among other things, cure any ambiguity, defect or inconsistency or make any other change that does not adversely affect the rights of any Holder of a Security in any material respect.

10. Restrictive Covenants.

The Note Agreement contains certain covenants that, among other things, limit the ability of the Company and the Subsidiaries to incur additional Indebtedness, create certain Liens, pay dividends or make certain other Restricted Payments, consummate certain Asset Sales, enter into certain transactions with Affiliates and merge or consolidate with any other Person or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the assets of the Company. The limitations are subject to a number of important qualifications and exceptions.

11. Subordination.

The Indebtedness evidenced by the Securities is, to the extent and in the manner provided in the Note Agreement, subordinated in right of payment to the prior payment in full in cash of all Senior Debt, and this Security is issued subject to such provisions. Each Holder of this Security, by accepting the same, agrees to and shall be bound by such provisions.

12. Defaults and Remedies.

If an Event of Default occurs and is continuing, the Holders of at least 25% in aggregate principal amount of Securities then outstanding may declare the principal of and accrued interest on all the Securities to be due and payable immediately in the manner and with the effect provided in the Note Agreement. Holders of Securities may not enforce the Note Agreement or the Securities except as provided in the Note Agreement. The Note Agreement permits, subject to certain limitations therein provided, Holders of a majority in aggregate principal amount of the Securities then outstanding to exercise any power.

13. No Recourse Against Others.

No stockholder, director, officer, employee or incorporator, as such, of the Company shall have any liability for any obligation of the Company under the Securities or the Note Agreement or for any claim based on, in respect of or by reason of, such Obligations or their creation. Each Holder of a Security by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Securities.

14. Guarantees.

This Security will be entitled to the benefits of certain Guarantees made for the benefit of the Holders. Reference is hereby made to the Note Agreement for a statement of the

respective rights, limitations of rights, duties and Obligations thereunder of the Guarantors and the Holders.

15. Abbreviations and Defined Terms.

Customary abbreviations may be used in the name of a Holder of a Security or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

16. Note Agreement.

The Company will furnish to any Holder of a Security upon written request and without charge a copy of the Note Agreement. Requests may be made to: Casual Male Retail Group, Inc., 555 Turnpike Street, Canton, Massachusetts 02021, Attn: Chief Financial Officer.

17. Governing Laws.

This Security and the Note Agreement shall be governed by and construed in accordance with the laws of the State of New York, as applied to contracts made and performed within the State of New York, without regard to principles of conflict of laws. Each of the parties hereto agrees to submit to the jurisdiction of the courts of the State of New York in any action or proceeding arising out of or relating to this Security.

ASSIGNMENT FORM

I or we assign and transfer this Security to:

_____

_____

(Print or type name, address and zip code of assignee or transferee)

(Insert Social Security or other identifying number of assignee or transferee)

and irrevocably appoint _____,
agent to transfer this Security on the books of the Company.
The agent may substitute another to act for him.

Dated:_____

Signed:_____
(Sign exactly as name appears on the other side of this Security)

Signature Guarantee:_____
Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor program reasonably acceptable to the Company)

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section __ of the Note Agreement, check the box:

If you want to elect to have only part of this Security purchased by the Company pursuant to __ of the Note Agreement, state the amount:
$_____

Dated:_____

Signed:_____
(Sign exactly as name appears on the other side of this Security)

Signature Guarantee:_____
Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor program reasonably acceptable to the Company)

FORM OF
WARRANT TO PURCHASE
COMMON STOCK

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED FOR RESALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO SUCH SECURITIES AND SUCH DISPOSITION FILED UNDER THE ACT, OR AN EXEMPTION FROM REGISTRATION, AND COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS. THE ISSUER MAY REQUIRE AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER HEREOF THAT SUCH REGISTRATION IS NOT REQUIRED AND THAT SUCH LAWS ARE COMPLIED WITH.

Void After 5:00 p.m., Eastern Time, on July 2, 2010 No. __

Warrant to Purchase
_____ shares of
Common Stock, par value $.01 per share
of
CASUAL MALE RETAIL GROUP, INC.

This is to Certify That, FOR VALUE RECEIVED, the receipt and sufficiency of which is hereby acknowledged, _____ (the "Holder") is entitled to purchase, subject to the provisions of this Warrant, from Casual Male Retail Group, Inc. ("Company"), a Delaware corporation, at any time prior to 5:00 p.m., Eastern Time, on July 2, 2010, a total of _____ shares of Common Stock, par value $.01 per share, of the Company ("Securities") at an initial purchase price of $ _____ per share. The number of Securities to be received upon the exercise of this Warrant and the price to be paid for the Securities may be adjusted from time to time as hereinafter set forth. The number of Securities to be received upon the exercise of this Warrant in effect at any time and as adjusted from time to time is hereinafter sometimes referred to as the "Exercise Rate" and the purchase price per Security in effect at any time and as adjusted from time to time, and subject to the minimum purchase price set forth in Section 7(l), is hereinafter sometimes referred to as the "Exercise Price" per Security. This Warrant is or may be one of a series of Warrants identical in form issued by the Company to purchase an aggregate of _____ shares of Common Stock. The Securities, as adjusted from time to time, together with any other Securities issuable upon exercise of this Warrant are hereinafter sometimes referred to as "Warrant Securities". Certain capitalized terms used in this Warrant are defined in Section 14 hereof.

1. Exercise of Warrant. This Warrant may be exercised at the option of the Holder in whole or in part at any time or from time to time prior to 5:00 p.m., Eastern Time on July 2, 2010, or if July 2, 2010 is a Saturday, Sunday or a day on which banking institutions in New York, New York are authorized by law to close, then on the next succeeding day (a "Business Day") which shall not be such a day, by presentation and surrender hereof to the Company or at the office of its stock transfer agent, if any, with the Purchase Form annexed hereto duly executed, and accompanied by payment of the Exercise Price, for the number of Securities specified in such Form, together with all federal and state taxes applicable upon such exercise. If, upon exercise of this Warrant, the Warrant Securities issuable upon exercise of this Warrant are not then registered under the Act pursuant to an effective registration statement thereunder, the Holder shall be deemed to have represented and warranted to the Company that such Holder (x) is a "qualified institutional buyer" as defined in Rule 144A

under the Act or an "accredited investor" as defined in Rule 501 under the Act, in either case with such knowledge and experience in financial and business matters as is necessary to evaluate the merits and risks of an investment in the Warrant Securities, and (y) such Holder is not acquiring the Warrant Securities with a view to any distribution thereof or with any intention of offering or selling any Warrant Securities in a transaction that would violate the Act or the securities laws of any state of the United States. If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the right of the Holder to purchase the balance of the Securities purchasable hereunder. The Exercise Price in respect of any exercise of this Warrant shall be payable to the Company in cash or by delivery to the Company of Common Stock having a then Current Market Value equal to such Exercise Price, or may be satisfied in lieu of other payment by the Holder's irrevocable written election to receive upon such exercise a reduced number of shares of Common Stock, in an amount equal to (x) the total number of shares of Common Stock otherwise issuable upon such exercise, *minus* (y) a number of shares of Common Stock equal to (i) the aggregate Exercise Price otherwise payable in respect of such exercise, divided by (ii) the then Current Market Value per share of Common Stock. Upon receipt by the Company of this Warrant at the office of the Company or at the office of the Company's stock transfer agent, in proper form for exercise and accompanied, if and as applicable, by the Exercise Price or written election to receive a reduced number of shares, the Holder shall be deemed to be the holder of record of the Securities issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Securities shall not then be actually delivered to the Holder.

2. Reservation of Securities. The Company hereby agrees that at all times there shall be reserved for issuance and/or delivery upon exercise of this Warrant such number of shares of Securities as shall be required for issuance or delivery upon exercise of this Warrant. The Company covenants and agrees that, upon exercise of this Warrant and, if and as applicable, payment of the Exercise Price therefor or written election to receive a reduced number of shares, all Securities and other securities issuable upon such exercise shall be duly and validly issued, fully paid, non-assessable and not subject to the preemptive rights of any stockholder. As long as this Warrant shall be outstanding, the Company shall use its best efforts to cause all Securities issuable upon the exercise of this Warrant to be listed (subject to official notice of issuance) on all securities exchanges or quotation systems on which its Common Stock issued may then be listed and/or quoted.

3. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon any exercise hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the Prior Day Market Value of such fractional share.

4. Loss of Warrant. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, the Company will execute and deliver a new Warrant of like tenor and date. Any such new Warrant executed and delivered shall constitute an additional contractual obligation on the part of the Company, whether or not the Warrant so lost, stolen, destroyed, or mutilated shall be at any time enforceable by anyone.

5. Rights of the Holder. The Holder shall not, by virtue hereof, be entitled to any rights of a stockholder in the Company, either at law or equity, and the rights of the Holder are limited to those expressed in this Warrant and the registration rights agreement referred to in Section 15 hereof.

6. Certain Notices to Warrant Holders. The Company shall give prompt written notice to the Holder of any determination to make a distribution to the holders of its Common Stock of any cash dividends, assets, debt securities, preferred stock, or any rights or warrants to purchase debt securities, preferred stock, assets or other securities (other than Common Stock, or rights, options, or warrants to purchase Common

Stock) of the Company, which notice shall state the nature and amount of such planned dividend or distribution and the record date therefor, and shall be received by the Holder or sent to the Holder by reputable overnight courier, in either case to its address as provided in Section 8, at least 10 days prior to such record date therefor. The Company shall provide notice to the Holder that any tender offer is being made for securities of the same class as any Warrant Securities no later than the first Business Day after the day the Company becomes aware of any such tender offer. Notwithstanding any notice provided to the Holder pursuant to this Section 6, the Holder shall be entitled to any and all applicable adjustments to the Exercise Rate and the Exercise Price per Security as provided in Section 7 arising out of any event requiring notice to the Holder in this Section 6.

7. Adjustment of Exercise Rate and Exercise Price.

The Exercise Rate and the Exercise Price are subject to adjustment from time to time upon the occurrence of the events enumerated in this Section 7. The Exercise Rate shall initially be the number of Securities for which this Warrant is initially exercisable as set forth in the introductory paragraph to this Warrant. In the event that this Warrant is transferred or exercised in part, the initial Exercise Rate of the portion not exercised or transferred shall be adjusted proportionately as shall the initial Exercise Rate of any partial transfer of this Warrant. For the purposes of Sections 7(a) and 7(b), (i) shares of Common Stock issuable upon the exercise of this Warrant and all other warrants of the same series as this Warrant shall be deemed to be outstanding and (ii) all shares of Common Stock that would be deemed to be outstanding as of the date of determination in respect of Convertible Securities, as determined in accordance with GAAP, shall be deemed to be outstanding.

(a) Adjustment for Change in Capital Stock. If, after the Issue Date, the Company:

(i) pays a dividend or makes a distribution on shares of its Common Stock payable in shares of its Common Stock (except to the extent any such dividend results in the grant, issuance, sale or making of Distribution Rights or Distributions (each as defined in Section 7(c)) to the Holder pursuant to Section 7(c));

(ii) subdivides or splits its outstanding shares of Common Stock into a greater number of shares; or

(iii) combines its outstanding shares of Common Stock into a smaller number of shares;

then (1) the Exercise Rate in effect immediately prior to such action for this Warrant shall be adjusted by multiplying the Exercise Rate in effect immediately prior to such action by a fraction (A) the numerator of which shall be the number of shares of Common Stock outstanding immediately after such action and (B) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such action or the record date applicable to such action, if any and (2) the Exercise Price per Security in effect immediately prior to such action shall be adjusted by multiplying the Exercise Price per Security in effect immediately prior to such action by a fraction (A) the numerator of which is one and (B) the denominator of which shall be the fraction calculated in clause (1) of the above formula. The adjustments shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision or combination. In the event that such dividend or distribution is not so paid or made or such subdivision, combination or reclassification is not effected, the Exercise Rate and the Exercise price per Security shall again be adjusted to be the Exercise Rate and the Exercise Price per Security which would then be in effect if such record date or effective date had not been so fixed.

(b) Adjustment for Certain Sales of Common Stock Below Current Market Value. If, after the Issue Date, the Company (i) grants or sells to any Affiliate of the Company (other than a wholly owned subsidiary of the Company) or (ii) grants, sells or offers to grant or sell to all holders of Common Stock, any

shares of Common Stock or Convertible Securities (other than, in the case of each of clauses (i) and (ii), (1) pursuant to any Convertible Security or other right outstanding as of the Issue Date or issuable in connection with the Transactions and financing therefor and the fees and expenses thereof, or (2) upon the conversion, exchange or exercise of any Convertible Security or other right as to which upon the issuance thereof an adjustment pursuant to this Section 7 has been made), at a price below the then Current Market Value, the Exercise Rate and the Exercise price per Security for this Warrant shall be adjusted in accordance with the formulae:

$$E^1 = \frac{E \times (O+N)}{(O + (N \times P/M))} \qquad \$^1 = \frac{\$ \times (O + N \times P/M)}{(O + N)}$$

where:

E^1	=	the adjusted Exercise Rate for this Warrant;
E	=	the then current Exercise Rate for this Warrant;
$\$^1$	=	the adjusted Exercise Price per Security for this Warrant;
$	=	the then current Exercise Price per Security for this Warrant;
O	=	the number of shares of Common Stock outstanding immediately prior to the sale of such Common Stock or issuance of Convertible Securities;
N	=	the number of shares of Common Stock so sold or the maximum stated number of shares of Common Stock issuable upon the conversion, exchange or exercise of any such Convertible Securities;
P	=	the proceeds per share of Common Stock received by the Company, which (i) in the case of shares of Common Stock is the amount received by the Company in consideration for the sale and issuance of such shares; and (ii) in the case of Convertible Securities is the amount received by the Company in consideration for the sale and issuance of such Convertible Securities, plus the minimum aggregate amount of additional consideration, other than the surrender of such Convertible Securities, payable to the Company upon exercise, conversion or exchange thereof; and
M	=	the Current Market Value as of the Time of Determination or at the time of sale, as the case may be, of a share of Common Stock.

The adjustments shall become effective immediately after the record date for the determination of shareholders entitled to receive the rights, warrants or options to which this paragraph (b) applies or upon consummation of the sale of Common Stock, as the case may be. To the extent that shares of Common Stock are not delivered after the expiration of such rights, warrants or options or exercise, conversion or exchange rights in respect to such Convertible Securities, the Exercise Rate and the Exercise Price per Security for this Warrant shall be readjusted to the Exercise Rate and the Exercise Price per Security which would otherwise be in effect had the adjustment made upon the issuance of such rights, warrants or options or Convertible Securities been made on the basis of delivery of only the number of shares of Common Stock actually delivered. In the event that such rights or warrants are not so issued, the Exercise Rate and the Exercise Price per Security for this Warrant shall again be adjusted to be the Exercise Rate and the Exercise Price per Security which would then be in

effect if such date fixed for determination of shareholders entitled to receive such rights, warrants or options had not been so fixed.

No adjustments shall be made under this paragraph (b) if the application of the formula stated above in this paragraph (b) would result in a value of E^1 that is lower than the value of E.

No adjustments shall be made under this paragraph (b) for any adjustments which are the subject of paragraphs (a), (c) or (e) of this Section 7.

Anything in this Warrant to the contrary notwithstanding, an event which would otherwise give rise to adjustments pursuant to this Section 7(b) shall not give rise to such adjustments if the Company grants, sells or offers to sell shares of Common Stock or Convertible Securities, in each case on the same terms as the underlying event, to the Holder on a pro rata basis, assuming for the purpose of this Section 7(b) that all warrants of the same series as this Warrant had been exercised.

Notwithstanding the foregoing, no adjustment in the Exercise Rate or the Exercise Price per Security will be required in respect of: (a) the grant of any stock option or other stock incentive award pursuant to any present stock option or stock incentive plan or arrangement or pursuant to any other customary compensatory stock option or stock incentive plan for employees, officer and/or directors, (b) the grant of any stock option or stock incentive award at an exercise price at least equal to the then Prior Day Market Value or (c) the exercise of any stock option or stock incentive award or similar award or right.

(c) Adjustment upon Certain Distributions.

(i) If at any time after the Issue Date the Company grants, issues or sells options, any Convertible Security, or rights to purchase capital stock or other securities (other than Common Stock) pro rata to the record holders or series of Common Stock ("Distribution Rights") or, without duplication, makes any distribution (other than a distribution pursuant to a plan of liquidation) other than a Permitted Cash Dividend (a "Distribution") on shares of Common Stock (whether in cash, property, evidences of indebtedness, or otherwise), then the Exercise Rate and the Exercise Price per Security shall be adjusted in accordance with the formulae:

$E^1 = E \times (M/(M-F))$ $\$^1 = \$ \times ((M-F)/M)$

where:

E^1 = the adjusted Exercise Rate;

E = the current Exercise Rate for this Warrant;

$\$^1$ = the adjusted Exercise Price per Security for this Warrant;

$ = the current Exercise Price per Security for this Warrant;

M = the Current Market Value per share of Common Stock at the Time of Determination;

F = the fair market value at the Time of Determination of such portion of the options, Convertible Securities, capital stock or other securities, cash, property or assets distributable pursuant to such Distribution Rights or Distribution per share of outstanding Common Stock.

The adjustments shall become effective immediately after the Time of Determination with respect to the shareholders entitled to receive the options, Convertible Securities, warrants, cash, property, evidences of indebtedness or other securities or assets to which this paragraph (c)(i) applies. No adjustments shall be made under this paragraph (c) if the application of the formula stated above in this paragraph (c)(i) would result in a value of E^1 that is lower than the value of E. This paragraph (c)(i) does not apply to any securities which result in adjustments pursuant to paragraphs (a) or (b) of this Section 7.

(ii) Anything in this Warrant to the contrary notwithstanding, an event which would otherwise give rise to adjustments pursuant to Section 7(c)(i) shall not give rise to such adjustments (or to adjustments pursuant to any other provision of this Section 7) if the Company grants, issues or sells Distribution Rights to the Holder or includes the Holder in such Distribution, in each case on a pro rata basis, assuming for the purpose of this Section 7(c)(ii) that all warrants of the same series as this Warrant had been exercised.

(iii) Notwithstanding anything to the contrary set forth in this Section 7(c), if, at any time, the Company makes any distribution pursuant to any plan of liquidation (a "Liquidating Distribution") on shares of Common Stock (whether in cash, property, evidences of indebtedness or otherwise), then, subject to applicable law, the Company shall make to the Holder the aggregate Liquidating Distribution which the Holder would have acquired if the Holder had held the maximum number of shares of Common Stock acquirable upon the complete exercise of this Warrant immediately before the Time of Determination of shareholders entitled to receive Liquidating Distributions.

(d) Notice of Adjustments. Whenever the Exercise Rate and Exercise Price per Security are adjusted, the Company shall promptly mail to the Holder a notice of the adjustments. The Company shall also provide the Holder with a certificate from the Company's independent public accountants briefly stating the facts requiring the adjustments and the manner of computing it. The certificate shall be conclusive evidence that the adjustments are correct, absent manifest error.

(e) Reorganization of Company; Fundamental Transaction.

(i) If (x) the Company shall reclassify its Common Stock (other than a change in par value, or from par value to no par value, or a subdivision or combination thereof), or (y) the Company, in a single transaction or through a series of related transactions, consolidates with or merges with or into any other person or sells, assigns, transfers, leases, conveys or otherwise disposes of all or substantially all of its properties and assets to another person or group of affiliated persons or is a party to a merger or binding share exchange which, in the case of any of the transactions referred to in this clause (y), reclassifies or changes its outstanding Common Stock (each of (x) and (y) above being referred to as a "Fundamental Transaction"), as a condition to consummating any such Fundamental Transaction, the Company, in the case of any such reclassification referred to in clause (x), or the person formed by or surviving any such consolidation or merger if other than the Company or the person to whom such transfer has been made in the case of clause (y) above (the "Surviving Person"), shall enter into a supplemental warrant agreement. The supplemental warrant agreement shall provide (a) that the Holder may exercise this Warrant for the kind and amount of securities, cash or other assets which the Holder would have received immediately after the Fundamental Transaction if the Holder had exercised this Warrant immediately before the effective date of the transaction, assuming (to the extent applicable) that the Holder (i) was not a constituent person or an affiliate of a constituent person to any transaction described in clause (y) above, (ii) made no election with respect to any transaction described in clause (y) above, and (b) in the case of any transaction described in clause (y) above, that the Surviving Person shall succeed to and be substituted to every right and obligation of the Company in respect of this Warrant. The supplemental warrant agreement shall provide for adjustments which shall be as nearly

equivalent as may be practicable to the adjustments provided for in this Section 7. The Surviving Person or the Company, as applicable, shall mail to the Holder a notice briefly describing the supplemental warrant agreement. If the issuer of securities deliverable upon exercise of this Warrant is an affiliate of a Surviving Person, that issuer shall join in the supplemental warrant agreement.

(ii) Notwithstanding the foregoing, if a Fundamental Transaction shall occur and, upon consummation of such Fundamental Transaction, consideration is payable to holders of shares of Common Stock which consideration consists solely of cash, assuming (to the extent applicable) that the Holder (i) was not a constituent person or an affiliate of a constituent person to a transaction described in Section 7(e)(i)(y) above and (ii) made no election with respect thereto, then the Holder shall be entitled to receive distributions upon consummation of such Fundamental Transaction on an equal basis with holders of Common Stock as if this Warrant had been exercised immediately prior to such event, less the aggregate Exercise Price therefor; provided that the Company or the Surviving Person, as the case may be, may require the surrender of this Warrant to such person prior to making any such distribution to the Holder. Upon receipt of such payment, if any, the rights of the Holder shall terminate and cease and this Warrant shall expire.

(iii) If this paragraph (e) applies, it shall supersede the application of paragraph (a), (b) or (c) of this Section 7.

(f) Other Events If any event occurs as to which the provisions of this Section 7 are not strictly applicable or, if strictly applicable, would not, in the good faith judgment of the board of directors of the Company, fairly and adequately protect the rights of the Holder in accordance with the essential intent and principles of such provisions, then such board of directors shall make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of such board of directors, to protect such rights as aforesaid, but in no event shall any such adjustment have the effect of decreasing the Exercise Rate or decreasing the number of Securities issuable upon exercise of this Warrant or increasing the Exercise Price per Security.

(g) Company Determination Final. Any determination that the Company or the board of directors of the Company must make pursuant to this Section 7 shall be conclusive, absent manifest error.

(h) Specificity of Adjustments. Regardless of any adjustments in the number or kind of shares purchasable upon the exercise of this Warrant or the Exercise Price per Security, this Warrant may continue to express the same number and kind of Securities initially issuable pursuant to this Warrant and the initial Exercise Price per Security as set forth in the first paragraph hereof.

(i) Voluntary Adjustment. The Company from time to time may increase the Exercise Rate and correspondingly decrease the Exercise Price per Security by any number and for any period of time; provided, however, that such period is not less than 20 Business Days. Whenever the Exercise Rate is so increased and the Exercise Price per Security is so decreased, the Company shall mail to the Holder a notice thereof. The Company shall give the notice at least 10 days before the date the increased Exercise Rate and decreased Exercise Price per Security takes effect. The notice shall state the increased Exercise Rate and decreased Exercise Price per Security and the period it will be in effect. A voluntary increase in the Exercise Rate and decrease in the Exercise Price per Security shall not change or adjust the Exercise Rate or Exercise Price per Security otherwise in effect as determined by this Section 7.

(j) Multiple Adjustments. After an adjustment to the Exercise Rate and Exercise Price per Security for this Warrant under this Section 7, any subsequent event requiring an adjustment under this Section 7 shall cause an adjustment to the Exercise Rate and Exercise Price per Security for this Warrant as so adjusted.

(k) When De Minimis Adjustment May Be Deferred. No adjustment in the Exercise Rate or Exercise Price per Security shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Rate; provided, however, that any adjustments which by reason of the foregoing are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations of the Exercise Rate shall be rounded to the nearest whole number. All calculations of the Exercise Price per Security shall be rounded to the nearest ten thousandth of one cent. No adjustments need be made for a change in the par value of the Common Stock and no adjustments shall be deferred beyond the date on which this Warrant is exercised.

(l) Notwithstanding any adjustment to the Exercise Price called for by this Section 7, in no event will the Exercise Price per share of Common Stock be adjusted to an amount that is less than the par value per share of the Common Stock at the time of such adjustment, and if, but for the provisions of this Section 7(l), an adjustment to the Exercise Price would be required under this Section 7 that would result in an Exercise Price per share of Common Stock that is less than the par value per share of the Common Stock, then the Exercise Price shall be adjusted such that the Exercise Price per share of Common Stock equals the par value of the Common Stock.

(m) Amendments of the Certificate of Incorporation. The Company shall not amend its Certificate of Incorporation to increase the par value of any Warrant Security such that such par value would exceed the Exercise Price per share of such Warrant Security.

8. Notices. Any notices or certificates by the Company to the Holder and by the Holder to the Company shall be deemed delivered if in writing and delivered personally or sent by certified mail or reputable overnight courier, to the Holder, addressed as set forth in the Instructions for Registration of Warrant delivered to the Company, which may be superseded from time to time upon notice to the Company, and, if to the Company, addressed to Casual Male Retail Group, Inc., 555 Turnpike Street, Canton, Massachusetts 02021, Attention: Chief Financial Officer. The Company may change its address by written notice to the Holder.

9. Limitations on Transferability. This Warrant may be divided or combined, upon request to the Company by the Holder, into a certificate or certificates evidencing the same aggregate number of Warrants. This Warrant may not be offered, sold, transferred, pledged or hypothecated (i) in the absence of an effective registration statement as to this Warrant and such transaction filed under the Act, or an exception from the requirement of such registration, and compliance with the applicable federal and state securities laws, (ii) in an amount representing the right to purchase fewer than 10,000 shares of Common Stock, and (iii) without the consent of the Company, which consent shall not unreasonably be withheld. The Company may require an opinion of counsel satisfactory to the Company that such registration is not required and that such laws are complied with. The Company may treat the registered holder of this Warrant as he or it appears on the Company's books at any time as the Holder for all purposes. The Company shall permit the Holder or his duly authorized attorney, upon written request during ordinary business hours, to inspect and copy or make extracts from its books showing the registered holders of Warrants.

10. Transfer to Comply With the Securities Act of 1933. The Company may cause the following legend, or one similar thereto, to be set forth on this Warrant and on each certificate representing Warrant Securities, or any other security issued or issuable upon exercise of this Warrant, unless (a) the Company has received an opinion of counsel satisfactory to the Company as to any such certificate that such legend, or one similar thereto, is unnecessary or (b) a registration statement with respect to this Warrant and the Warrant Securities has become effective under the Act.

"THIS SECURITY HAS NOT BEEN REGISTERED FOR RESALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS

AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO SUCH SECURITY AND SUCH DISPOSITION FILED UNDER THE ACT, OR AN EXEMPTION FROM REGISTRATION, AND COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS. THE ISSUER MAY REQUIRE AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER HEREOF THAT SUCH REGISTRATION IS NOT REQUIRED AND THAT SUCH LAWS ARE COMPLIED WITH."

11. Applicable Law. This Warrant shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to conflict of law principles.

12. Amendments. This Warrant may not be amended except in a writing signed by the Holder and the Company.

13. Severability. If any provisions of this Warrant shall be held to be invalid or unenforceable, such invalidity or enforceability shall not affect any other provision of this Warrant.

14. Certain Definitions. In addition to the capitalized terms defined elsewhere in this Warrant, the following capitalized terms shall have the meanings set forth below.

"Act" shall mean the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

"Affiliate" of a person shall mean a person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such person. The term "control" means the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

"Convertible Security" shall mean any security convertible into or exchangeable or exercisable for Common Stock, including but not limited to, rights, options or warrants entitling the holder thereof to acquire Common Stock or any security convertible into or exchangeable for Common Stock.

"Current Market Value" per share of Common Stock of the Company at any date shall mean:

(1) if Common Stock is not then registered under the Exchange Act and traded on a national securities exchange or on the Nasdaq National Market System,

(a) the value of such Common Stock, determined in good faith by the board of directors of the Company and certified in a board resolution, taking into account the most recently completed arms-length transaction between the Company and a person other than an Affiliate of the Company and the closing of which occurs on such date or shall have occurred within the six-month period preceding such date, or

(b) if no such transaction shall have occurred on such date or within such six-month period, the fair market value of the security as determined by a nationally recognized investment bank; provided, however, that, in the case of the calculation of Current Market Value for determining the cash value of fractional shares, no such determination by an investment bank shall be required and the good faith judgment of the board of directors as to such value shall be conclusive, or

(2) (a) if Common Stock is then registered under the Exchange Act and traded on a national securities exchange or on the Nasdaq National Market System, the average of the daily closing sales prices of such Common Stock for the 20 consecutive trading days immediately preceding such date, or

(b) if Common Stock has been registered under the Exchange Act and traded on a national securities exchange or on the Nasdaq National Market System for less than 20 consecutive trading days before such date, then the average of the daily closing sales prices for all of the trading days before such date for which closing sales prices are available,

in the case of each of (2)(a) and (2)(b), as certified by the Chief Executive Officer, the President, any Executive Vice President or the Chief Financial Officer or Treasurer of the Company. The closing sales price of each such trading day shall be the closing sales price, regular way, on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

"GAAP" shall mean generally accepted accounting principles in the United States as in effect on the Issue Date.

"Issue Date" shall mean _____, 2003.

"Permitted Cash Dividend" shall mean any cash dividend in respect of Common Stock that, together with all such dividends (other than dividends with respect to which an adjustment has been made pursuant to Section 7(c)(i) or a dividend which was also paid on a pro rata basis to the Holder as contemplated by Section 7(c)(ii)) declared in respect of Common Stock during the previous twelve months, on a per share basis, does not exceed 10% of the average closing sales prices per share of the Common Stock for each trading day during such twelve month period.

"Prior Day Market Value" per share of Common Stock of the Company at any date shall mean:

(1) if Common Stock is not then registered under the Exchange Act and traded on a national securities exchange or on the Nasdaq National Market System, the Current Market Value per share of Common Stock, or

(2) if Common Stock is then registered under the Exchange Act and traded on a national securities exchange or on the Nasdaq National Market System, the closing sales price of Common Stock for the trading day ending immediately prior to the event causing the Prior Day Market Value to be determined.

"Time of Determination" shall mean (i) in the case of any distribution of securities or other property to existing shareholders to which Section 7(b) or (c) applies, the time and date of the determination of shareholders entitled to receive such securities or property or (ii) in the case of any other issuance and sale to which Section 7(b) or 7(c) applies, the time and date of such issuance or sale.

15. Registration Rights. In the event that the Holder gives notice to the Company in accordance with Section 8 hereof of its irrevocable election to exercise this Warrant and other warrants of the same series as this Warrant held by such Holder to the extent of at least 60,000 shares of Common Stock (subject to adjustment pursuant to Section 7) and requests that such shares issuable upon such exercise be registered under

the Act, the Company undertakes to prepare and cause to be filed with the Securities and Exchange Commission within 30 days thereafter (provided the Company is then eligible to effect such registration on Form S-3 or any successor form) a registration statement under the Act relating to resales of such Common Stock by the Holder, and shall use commercially reasonable efforts to cause such registration statement to be declared effective within 45 days after such filing and to keep such registration statement effective for 90 days or until such earlier time as such Common Stock issued upon exercise has been sold by the Holder pursuant thereto; provided, however, that the Holder shall be bound (and if requested by the Company shall confirm in writing that it is so bound) by reasonable and customary terms for the provision of information by the Holder, the suspension of sales in the event of material developments regarding the Company, delays in registration in the event of any offering of securities for the account of the Company, and other matters, all on substantially the same terms as may be applicable in one or more cases to holders of other securities of the Company having similar rights to request registration under the Act.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed and its corporate seal to be hereunto affixed and attested, all as of the day and year first above written.

CASUAL MALE RETAIL GROUP, INC.

By: _____

Name: David A. Levin
Title: President

Date: _____, 2003

Attest:

By: _____

Name: Dennis R. Hernreich
Title: Chief Financial Officer

PURCHASE FORM

Dated _____, 20__

The undersigned hereby irrevocably elects to exercise this Warrant to the extent of _____ shares of Common Stock.

The undersigned has concurrently herewith made payment of $ in payment of the aggregate Exercise Price.

If the issuance of the Warrant Securities is not registered under the Securities Act of 1933, as amended, the undersigned makes the representation and warranty set forth in Section 1 of this Warrant.

INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name _____
(please typewrite or print in block letters)

Address _____

Signature _____

ASSIGNMENT FORM

FOR VALUE RECEIVED,_____ hereby sells, assigns and transfers unto

Name _____
(please typewrite or print in block letters)

Address _____ the right to purchase shares of Common Stock as represented by this Warrant to the extent of shares of Common Stock as to which such right is exercisable and does hereby irrevocably constitute and appoint, _____ attorney, to transfer the same on the books of the Company with full power of substitution in the premises.

Signature _____

Dated: _____ 20__

INSTRUCTIONS FOR REGISTRATION OF WARRANT

Name _____

(please typewrite or print in block letters)

Address _____

Signature _____

Exhibit 31.1

CERTIFICATION

I, David A. Levin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Casual Male Retail Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 16, 2003

/s/ DAVID A. LEVIN

David A. Levin
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Dennis R. Hernreich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Casual Male Retail Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 16, 2003

/s/ DENNIS R. HERNREICH

Dennis R. Hernreich
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Casual Male Retail Group, Inc. (the "Company") for the period ended August 2, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Levin, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ DAVID A. LEVIN

David A. Levin
Chief Executive Officer
September 16, 2003

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Casual Male Retail Group, Inc. (the "Company") for the period ended August 2, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis R. Hernreich, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ DENNIS R. HERNREICH

Dennis R. Hernreich
Chief Financial Officer
September 16, 2003